

OIL

Its Influence on Politics

BY

FRANCIS DELAISI

TRANSLATED FROM THE FRENCH BY

LEONARD LEESE

SOMETIME SCHOLAR OF TRINITY COLLEGE,
CAMBRIDGE.



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FOREWORD

To M. GABRIEL DARQUET, *Editor of "Le Producteur."*

MY DEAR FRIEND,—In outlining the program of your review, *Le Producteur*, you wrote :—

"Let no one ask us our opinions upon either home politics or foreign politics. For the moment, at any rate, we could only reply indirectly by such words as coal, nitrogen, fertilisers, water power, credit, centralised organisation, technical education, general culture—all words which scarcely lend themselves to general use."

To some, perhaps, this declaration seemed too restricted ; on the contrary, it was a complete program—I would even add, the completest possible program. For the man who best knows the position of parties and the intrigues of diplomats will have but a superficial view of society, incomplete, and therefore false, unless he constantly bears in mind the economic realities which you point out. Indeed, should he merely take the simplest of the necessities of life and follow it in its transformations and movements, from the original mine or field to the consumer, he will see in operation not only the technical machinery of industry, transport and banking, but also the delicate mechanism of all our political and social institutions.

The study of oil is a simple example.

* * * * *

An engineer takes a waste product of oil, mazut ¹ ; he transforms it into a fine spray, which he projects into the furnaces of a great ship. This simple fact is going to

¹ "The famous petroleum wells of Baku . . . yield crude naphtha, from which the petroleum or kerosene is distilled ; while the heavier residue (*mazut*) is used as lubricating oil and for fuel."—*Encyclopædia Britannica*, Eleventh Edition, Vol. III., p. 230.—(Translator's note.)

change the structure of societies and disturb the balance of empires.

It is a commonplace that all great revolutions have started from a technical invention. The unknown monk who first mixed charcoal, sulphur and saltpetre, rased feudal castles and created the great modern States ; and he who balanced a magnetised needle upon a pivot was the real founder of colonial empires.

The utilisation of mazut is a fact of the same order, and of almost equal significance. It dates from a few years ago, and already we see the great liners everywhere adopting the new fuel. It gives more heat for the same volume, is cheaper, and takes less room ; the saving in bunker space allows more goods to be carried at less cost, and this leads to a lowering of freights and of the prices of all commodities carried by sea. We have a *commercial* revolution springing from a technical invention.

But suppose that one great country supplies by itself eight-tenths of the new fuel ; the ships of other nations will soon be unable to sail without recourse to its oil depots, and if that country creates a powerful merchant fleet, it will be at once the controller of ocean commerce. Now the people which obtains the world's carrying trade levies a tithe upon all those for whom it provides transport, and thus adds to its capital. New industries arise round its ports, its banks become clearing houses for international payments. The controlling centre of credit is displaced : we saw it pass from Amsterdam to London in the eighteenth century with the growth of British shipping. Is it not going to move to New York ? Thus, under the pressure of economic facts, arises one of the great *financial* problems of to-morrow.

In the meantime, warships as well as merchantmen adopt oil fuel, the smaller volume of which allows both their radius of action and the weight of their guns to be increased. But in this case the nation which has the biggest supplies of oil will be able—other things being equal—to build the most powerful navy and to reduce all rival fleets to a position of dependence. The substitution of oil for coal gives rise to a *military* problem of vital importance.

In consequence, the less-favoured governments go hunting about everywhere for oil wells. Concessions become subjects for barter between the Great Powers and small States, for quarrels between nations of equal strength. The oil of Persia and Mesopotamia, Rumania and Madagascar, appears on the agenda of conferences at Spa or San Remo. Oil makes its bow upon the *diplomatic* stage where international rivalries are played.

When a nation becomes the strongest, alike in commerce, finance and armaments, it may be tempted by a dream of hegemony. How will the others react? To answer this question we must understand the spirit of each nation and the structure of its society.

In Britain certain men foresaw the danger from America even before the United States had appreciated it. They made no appeal to Parliament or the public. They silently drew up statistics of the world's oil supplies, noticed that their rival's reserves would soon be exhausted, set about obtaining a monopoly of all available sources, and carried out their plan almost in entirety by the adroit use of financial combinations and diplomatic pressure. Their fellow-countrymen as well as their opponents only heard of the manœuvre when it had succeeded. Thus a problem vital to the existence of a nation was solved solely by business methods, unknown to the peoples interested or their official representatives. This raises the problem of the relations between our so-called democracies and the financial groups which govern them in secret—the great *political* problem of the present age.

The French oligarchy, though fashioned in the image of its neighbour, did not react in the same way. We see it abandoning its oil fields and its enormous concessions to exploitation by the British industry. Why? Because it is composed of *bourgeois*, absorbed in making money easily without risk or exertion. These men enjoy all the profits of power, but consider themselves exempt from its responsibilities; even their own position does not provoke in them the thought that, deriving everything from the nation, they ought to contribute to its greatness. Thus we find ourselves confronted with the *social* and *moral* problem of the formation of the governing class.

A simple study of oil takes us over the whole gamut of social, technical, commercial, financial, political and moral facts. It is a kind of cross-section of the organs of society, similar to those which botanists make of plants to enable the entire structure to be seized at a glance.

You wish to apply this method of "exact analysis," as you call it, to each of the essential elements of our social life: coal, steel, electricity, transport, markets, credit. And if the work is satisfactorily accomplished, the public which follows you will doubtless make some strange discoveries.

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But that will not be merely a field for the anatomist's research or the historian's curiosity. Perhaps there will emerge from it the sole form of practical education which is in harmony with present necessities.

Applied science has made modern societies so complicated in their mechanism that scarcely any one can grasp their structure and working as a whole.

Every Frenchman possesses both a specialised ability and a general education; but usually there is no relation whatever between the two. The first enables him to earn a living; and to it he applies all his capacity for observation, skill and energy, for the purpose of deriving the maximum of private gain. But his day's work done, he does not give it another thought.

For his opinion upon public affairs he is satisfied with ready-made ideas, with abstract theories (democratic, socialist or royalist) acquired at school or by chance reading—and he holds these as irrefutable truths all the more because he has never examined them. By their standard he judges the happenings of which his newspaper tells him, and thus he forms an opinion in which neither his own experience nor his technical knowledge has any part.

He is ignorant even of the general conditions of his own trade. The merchant, faced by a problem of credit, refers to his banker for advice; the industrial magnate rarely tries to obtain an understanding of the technical processes of his manufacture; and the financier merely works out

his chance of profit or loss at the time of flotation, without studying the intrinsic value of an undertaking.

As a result of this purely formal education we have general ideas about everything and precise information about nothing. Among the millions who daily travel by train, how many have even an elementary acquaintance with the working of a locomotive, the formation of the capital of the railway company, or the nature of its relations with the State? Any Frenchman would blush not to know the names of the Cabinet ministers or the most fashionable actors; but he is not ashamed to remain ignorant of the personality of the directors of the banks which look after his own capital and of the companies which run the great public services.

And so we meander blindly through a world of whose machinery we are totally ignorant—without even the astonished admiration of the Senegalese negro arriving from his desert.

The extreme automatism of the social machine has produced automatism in our citizens. Public opinion itself is manufactured like other commodities; the proprietors of five or six great newspapers control it with the same certainty as the pointsman sends a train to the north or to the west. Ignorance has the grievous result of making the mass of the people and the middle classes a docile force in the hands of a few informed men. In the heart of our seeming democracies it has permitted the formation of an oligarchy of those *who know*.

How is this evil to be remedied? By teaching men of all trades and professions how their activities work in with the rest of the machinery of social life. If the peasant knows whence come the nitrates and phosphates with which he manures his land, the electrical or chemical factories which prepare them, the ships and railways which carry them, the Customs tariffs which protect his corn, the markets where it is sold, and the exchanges where prices are determined, then, no doubt, he will defend his interests better, but he will also feel his solidarity with the town dwellers whom he feeds, and without whom he would not even be able to feed himself. And if perchance he meets with some difficulty arising out of his occupation, then,

knowing the exact point at which his interest diverges from the general interest, he will be able to tell which piece of machinery should be changed or replaced.

For this purpose it is enough to show him the position of the corn-growing industry in the world. Its study is not more difficult than that of oil or coal ; it is no drier to learn than the Catechism or the history of medieval institutions, and it is possibly of rather more immediate interest.

The method of "exact analysis" gives a man the means of protecting himself, and shows him at the same time the links between his work and that of others. It develops among producers at once independence and solidarity. If you are looking for the right educational formula for the man of to-day, give him "the social significance of his occupation."

* * * * *

It has often been noticed that those who are the least acquainted with the social mechanism are the most eager to overturn it. And this is natural, for the man who suffers under the present system, unless he penetrates its complexities, does not think of improving it ; for him the simplest thing is to overthrow it. As for building another, that does not trouble him, for he has, thanks be to God, general principles.

Every one knows that in 1789 divine right was transferred from the king to the sovereign people. The latter, an indolent monarch, delegates its power to a few hundred lawyers, who, simply in virtue of its choice, become competent in all matters ; and the elements obey the laws they make, as the *fiat* of Jehovah. Thereafter, all that is needed is for the proletariat to seize "power"—a matter of a few days' rioting—and the reign of Justice begins ! (Thy kingdom come !)

The method, as one sees, is simple and easy. It is that which our "noble forefathers" of 1793, 1830 and 1848 used—at any rate, according to the official instruction given in the elementary schools. Why should not the victim of oppression borrow from the middle class a procedure which has been so successful for the latter ? To be sure, he is not told that since then joint-stock, limited liability com-

panies, banks and other financial machinery have come into being, which, by increasing enormously the number of capitalists and at the same time concentrating to an extreme degree the control of capital, have profoundly altered the structure of European society (with the exception of Russia), for the official text-books ignore these fundamental developments. Moreover, the teachers, imbued with musty academic formulas, are nowadays in congresses the fiercest propagandists of the dictatorship of the proletariat. Thus a purely ideologic education leads those who suffer direct to the theory of bloody revolution.

Those who are satisfied with the present system are no better advised. Doubtless, fear of social disorder would incline them to agree to reforms willingly. But as soon as any really serious reform is proposed, they lose their heads. They realise in a confused way that any important change in the fiscal, legal or financial system will cause reactions throughout the organism ; but, through ignorance of the structure of the latter, they are unable to estimate the reactions. Justifiably mistrusting the impatience of the masses and the incompetence of parliamentary assemblies, they instinctively resist all change. It seems to them that, if they allowed but a single beam to be touched, the whole building would collapse upon their heads—and the most they will agree to is to have a fresh wallpaper. Yet in reality, if they understood better the strength of the foundations of the house, they would be less timid. Their fear of what they themselves call a “ leap in the dark ” is simply their confession of ignorance.

In consequence, society seems more and more to be divided into two groups : those who desire to maintain everything as it is, and those who desire to overturn everything. Unbridled reaction is opposed to unbridled revolution—a struggle of illusion against fear, both being the products of the same ignorance. And the conflict will become more and more embittered until both parties are overwhelmed in a common catastrophe.

The experience of Russia has a two-fold moral from this point of view : the stubborn conservatism of the Romanoffs brought them to the same bloody end as Charles I. and Louis XVI. ; and the conquest of “ power ” by Lenin has

reduced the proletarian dictators to famine. In reality, both were victims of a mistaken method.

Periodically, it becomes necessary to adjust legal and social institutions, which are of a permanent nature, to economic forces, which are in constant movement. To attempt to contain the latter within the fixed limits of the former involves risk of fatal explosions. To be prepared to demolish the superstructure at the cost of stopping production is tantamount to bringing about chaos and ruin. What is required is to rebuild the station without stopping the traffic, as engineers say. It is a singularly delicate problem, which presupposes, among both the leaders and the masses, the same certain understanding of needs and possibilities. Now, this will only be obtained by the method of "exact analysis," the increasing use of which is thus a condition of social salvation.

* * * * *

Happily, signs are not wanting of a wide development in this direction. Everywhere, side by side with the old political parties, occupational organisations are springing up. The former are groups of abstract "citizens," gathered together upon no plan, in virtue of the fiction that an artisan or a farm labourer is the equal of a banker or a bishop—which is sheer flying in the face of reality. They are held together by a vague democratic, socialist, or royalist ideology, and are, therefore, by nature instable groupings in which the confusion of interests favours intrigues of every description. The latter organise men according to occupation. Now his occupation determines the essential and permanent interests of every individual; furthermore, it is the sphere in which he is most competent. Hence this method is stabler, clearer, and less subject to abuse.

The prodigious growth of the trade unions affiliated to the C.G.T.,¹ and the fact that their influence is out of proportion to their numerical strength, have demonstrated to all the superiority of this system of organisation. The industrialists, the merchants, and then the agriculturalists, have followed the example of the workers, forming their

¹ *Confédération Générale du Travail*, i.e., "General Federation of Labour."—(Translator's note.)

unions and federations on the same plan ; just recently, they have even constituted a C.G.P. (*Confédération Générale de la Production* ¹), analogous to the C.G.T. Finally, the intellectuals in their turn have organised themselves professionally in the C.T.I. (*Confédération des Travailleurs intellectuels* ²).

It is true that these various organisations were originally formed in a spirit of defence and conflict, but already they are beginning to appreciate the need for collaboration. It is the unique virtue of occupational representation that it brings together those whose interests are opposed. Men are, and always will be, divided on the *apportionment* of the fruits of labour ; but in order to *produce*, they are compelled to come to an understanding.

The principle of the division of labour is the basis of our civilisation (the savage alone supplies all his own needs) ; and one might even say that the most civilised people is the one among whom the principle is carried farthest. It is the measure of progress. But the specialisation of production involves the interdependence of producers, for, from the moment when the individual makes only one part of the machine, his labour is useless without that of his neighbour. Hence it follows that the workman is powerless without the technician, who is powerless without credit, which depends upon the markets to be found by the merchant and upon the purchasing power of the consumer ; and all alike can do nothing without the captain of industry who organises and co-ordinates their different activities. Consequently, in proportion as the representative of a professional organisation—whether of masters or of men—rises to higher rank in the official hierarchy, he takes an ever broadening view of the interdependence of trades. Conflict of interest comes to be balanced in his mind by identity of function ; and this may bring him so far as to consider the demands of his constituents from the higher point of view of the general interest.

That is why we have recently seen the C.G.T., with its sections of technicians, consumers and officials, create an Economic Council of Labour in which it is striving to draw

¹ " General Federation of Production."—(*Translator's note.*)

² " Federation of Intellectual Workers."—(*Translator's note.*)

up a scheme of administration in harmony with the needs of all, and in which it is admitting even the collaboration of the masters.

That is why the intellectuals have just formed, besides the C.T.I., the *Compagnons de l'Intelligence*,¹ who will endeavour to bring brain-work into line with the general needs of society.

That, again, is why the great industrialists are now establishing those *Bureaux d'organisation économique* ² from which you, my friend, expect the solution of the problem which is the key to all the rest—the problem of the rational distribution of credit.

Will these three bodies one day join together to give us the general formula for a "New Order," as you foresee and desire? It is still too soon to say.

At all events, each of them has already set to work. The C.G.T., after a year's labour, has submitted to the public its proposals for the nationalisation of mines and railways, and for a general economic administration. In considering these proposals, each of the other two groups—and every intelligent man with them—must likewise examine the working of the great public services, investigate their machinery and organisation in detail, and judge all the proposed modifications from the point of view of the return given. This implies both a general inquiry upon matters of fact and a general review of the principles which are to be applied. In the eighteenth century, on the eve of far-reaching political and social changes, the encyclopedists had the courage to attempt a similar undertaking; and what they accomplished is common knowledge. Analogous circumstances are about to force the same task upon us.

Of course, it should not be imagined that groups and individuals so diverse will arrive at identical conclusions from the start. You yourself, for instance, perhaps attribute too much importance to the *entrepreneur*, the business organiser, whom you and your friend, M. Ferdinand Gros, distinguish quite rightly from the old-style "master," who derived his authority simply from his capital. For

¹ "Companions of Intelligence."—(Translator's note.)

² "Bureaux for economic organisation."—(Translator's note.)

my part, I shall doubtless be influenced by my sympathy for the working-class organisations. The essential thing is to agree upon the method; and here there can be no alternative to the method which science provides—scrupulously careful observation, “exact analysis.” The more we multiply at all angles and elevations the horizontal and vertical sections of the social organism, the more numerous we shall find the points at which opposing forces may work in with one another, and the means of emerging from the existing anarchy.

* * * * *

Undeniably, the task is huge and far beyond the capacity of a single person. The time has gone by when a man of genius, a Marx or a Proud'hon, after a rapid survey of society (then comparatively simple and stable), might attempt a synthesis and trace the outline of a new order. The modern world has become so complex that a lifetime is not long enough to grasp its essential elements, and its changes are so rapid that less than half a century suffices to reduce the most ambitious schemes to a heap of romantic ruins.

Karl Marx, at the time when he wrote *Capital*, could not foresee the enormous development of the joint-stock, limited liability company, then in its infancy. If he saw it to-day, can it be doubted that he would profoundly modify his two conceptions, now contradictory, of the class struggle and the democratic revolution? Assuredly he would pillory with his sarcasm the intellectual lethargy of his followers who repeat the master's formulas by rote, without dreaming of applying them. Strange “revolutionaries” are these stubborn defenders of out-of-date doctrines, these men of progress whose thought is stagnant, these innovators who want to build the twentieth century according to the ideas of the period of Napoleon III., these Utopists who know as much about the modern machinery of credit as the Emperor Charlemagne knew about railways.

The accelerated pace of present-day evolution no longer permits of a synthesis on this vast scale, for it would become antiquated too quickly. So students have to confine themselves to the minute observation of the present,

leaving to the responsible leaders of the occupational organisations the work of effecting a temporary conciliation of interests—in the certainty that on the morrow some unforeseeable invention will alter the position of the groups and necessitate a new set of calculations.

Science does not cast things into a mould ; as its horizon widens it multiplies possibilities. Therefore, my dear friend, do not think of laying the foundations of a new dogma or of making *Le Producteur* the organ of a " school." What is wanted is simply a kind of social laboratory, to which technicians, historians, financiers, jurists, industrialists and men of letters will come to compare the results of their experiments and to discover their points of agreement, in the brief time which is here our portion. Collaboration of this kind requires no common creed, and leads to none. It demands only respect for facts and honesty in the use of methods. May you succeed in bringing together, from whatever quarter they come, many such clear-sighted investigators who see that which stares them in the face ; may you gather into a single sheaf their different specialised abilities and mark out the path which the men of our time have still to traverse !

No generation in history has faced so formidable a crisis. Humanity emerges from the greatest of wars with its economic organisation dislocated and its moral forces unhinged. Two years after the signature of the Armistice, the official experts assembled at Brussels are still groping for the basis of a program for the reconstruction of Europe ! Is it to be wondered at if the impatient masses are tempted to throw themselves into the arms of a Demiurge ? Accordingly, in their congresses we see trotted out once again—though cleverly camouflaged *à la Russe*—the old revolutionary myths invented by our historians of the Age of Romanticism. We hear the conquest of " Power " spoken of as though there really existed a magic " Power," the possession of which would assure plenty and freedom for all. Our brains are encumbered with scholastic entities of this kind, our trifling with which will seem to the historians of the future as strange as we find the former disputes upon " faith " and " works," " sanctifying grace," and " the second coming."

Ignorance, like night, is the mother of phantoms. They delude the masses in their hour of suffering and drive them towards bloody Utopias and mad reactions. Only the clear light of social analysis can scatter these dangerous shades. It must be demonstrated to the masses, by observable experiments, that, in the social as in the physical world, there are no miracles, that man can only turn things to his use by submitting to their laws, and that, as Bacon said, "Nature is only conquered by obedience."¹

The slow toil of the physicist has driven Jupiter and his thunder from the heavens ; but, taking his lightning from him, he has turned it into a wonderful instrument of social well-being. Let us follow his example, and, ignoring the theorists and thaumaturgists of the Right or the Left, let us study together quite prosaically, my dear friend, according to your advice, "coal, water power, nitrogen, credit. . . ."

PARIS.

October, 1920.

¹ "Natura non nisi parendo vincitur."

OIL

CHAPTER I

THE REVOLUTION IN FUEL AND THE BRITISH EMPIRE

IN June, 1920, patrons of the parliamentary game witnessed a singular spectacle in France: the Briand team and the Tardieu-Loucheur team, having determined, according to well-informed people, to wrest from the Millerand team the "cup" of power, launched a furious attack, strongly supported by flame projectors burning Mosul oil. It was the first occasion upon which this weapon was used in political battles. Thus the great public learnt of the arrival of mazut upon the field of international conflicts.

The peoples to-day contend for iron mines and oil fields just as their princes of old quarrelled over provinces. The coal of the Ruhr or of Teschen, the iron deposits of Lorraine, or the oil of Mesopotamia, are the stakes in the great games played round the tables of San Remo and Spa. The victors in the Great War, exhausted by their effort, renounce the glorious dream of liberating oppressed peoples, and are reduced to disputing among themselves for the fuel necessary for their homes and industries.

In truth, however, the facts of the case, passing through the parliamentary prism, reach the public a little distorted. It might have been thought that Britain and France were quarrelling about the oil of Mosul. In reality, this field—and those of all French colonies—had already been promised to an Anglo-Dutch trust. The question which remains to be decided is whether America will be excluded from the division of the spoil, and whether France will indolently

abandon her natural resources to foreign exploitation or whether our business men will wish to make something for themselves out of this dearly-bought wealth.

The subject brings us face to face with the problem of our alliances and the problem of our business methods. That is the reason why the main features of the contest are here recounted and discussed.

I.—A PEACEFUL INDUSTRY

For more than half a century, and until recent years, the exploitation of petroleum was pre-eminently an American industry. It was in the United States that oil was first discovered and worked. "Wild cat" hunting (the Americans call a boring a "wild cat") is a singularly hazardous occupation. Mr. O'Donnell, President of the American Institute of Petroleum, asserts that, out of every hundred borings, ninety-eight are unprofitable. But for fifty years the 2 per cent. which succeeded sufficed for the consumption of the world. The prospector who chanced to strike a "gusher" made a fortune. Consequently, the quest for oil reproduced the frenzy of the rush for gold. Innumerable "wild catters" ransacked the wildest mountains of Pennsylvania, California and Oklahoma; huge quantities of capital were invested in these undertakings. To-day there are more than 16,000 companies engaged in the search, and there must be very few Americans who have in their safes no share certificates bearing the word "oil." It is a kind of popular lottery!

The main difficulty is not to produce oil, but to transport it. Since it is found very frequently in desert regions, it used to be a big task to deliver it at the centres of consumption. Then Rockefeller had a daring idea: he thought of laying pipe lines—aqueducts as it were—through which the oil would flow like a river into immense reservoirs within reach of the refineries, whence tank wagons and tank steamers would carry it all over the world for domestic use. The genius of Rockefeller created all this equipment of pipes and pumps, wagons and tankers, and raised the huge capital required for the purpose. Thenceforward, since

the oil was transported almost automatically, its price fell considerably. All the producers became tributaries of the pipe lines, and the *Standard Oil Company* obtained practically complete control of the market. But it remained essentially a transport and refinery undertaking, and even to-day it does not contribute 18 per cent. of the American production. It has allowed all the small producing companies which are compulsorily its clients to continue to exist ; only, as controller of the market, it fixes prices. By means of its powerful organisation, it has succeeded in making petroleum a remarkably cheap commodity, world-wide in its distribution ; and the octogenarian Rockefeller has amassed one of the most colossal fortunes in history.¹

Naturally, the grand old man has had imitators. The Rothschilds have exploited the oil of Baku in a similar way. The Dutch, controlling the rich fields of Sumatra, Java, and Borneo, have made the *Royal Dutch (Koninklijke Nederlandsche Maatschappij)* a powerful enterprise, though inferior to the American trust. Then British, French, German, and Austrian companies began to work the fields of Rumania and Galicia. The human race, eager for light and heat, absorbed as much as it was offered ; and all these undertakings prospered.

In the meantime, France, Britain, and Germany, which produced nothing and consumed much, remained passive spectators. They saw these companies contend for their orders, and, by playing upon this competition, they sometimes obtained oil at a lower price than the producing countries ; in addition, these companies provided profitable investments for their capital. Hence, their Governments did not intervene to quarrel about so valuable a product. If the political world occasionally troubled itself about oil, it was merely to fight the tendency towards trusts, a domestic question pure and simple. Oil had not yet entered the danger zone of diplomatic conflicts. For fifty years it was the most peaceful of industries ; no one could have imagined that one day it would trouble the peace of the world.

¹ Recently the powerful *Standard Oil Company* has had to split up into a score of companies in conformity with the anti-trust laws, but this is a mere sop to American democratic sentiment.

II.—THE REVOLUTION IN FUEL.

As nearly always happens, a technical invention was fated to alter the relations between nations and to threaten the stability of empires.

For half a century, oil was simply a means of lighting ; its use was confined to the lamp, and occasionally the domestic stove. Moreover, in this modest sphere, it had to meet the competition of gas and electricity ; and at one time there was some thought of restricting its production. Between 1900 and 1910, the perfecting of the internal combustion engine and the enormous development of motoring gave it a new lease of life ; prospectors spread over the fields of Mexico, Central America, and Burma, and production increased still more quickly than the demand.

Now, all these new engines consumed petrol alone. Under pressure of the demand, it became customary to raise and refine poorer and poorer oils, giving from 60 to 75 per cent. of wastage ; only a part of this residue was used in the form of lubricating oils. There remained the mazut or fuel oil, which, it is true, could be burned, but had a high flash-point and deposited carbon too quickly for use in the delicate engines of motor-cars, lorries, and aeroplanes.

Such was the situation when a German named Diesel constructed the first internal combustion engine for heavy oil. The mazut, subjected to great pressure in the cylinder, produced an explosive mixture, which, without sparking-plug or magneto, drove the pistons in the manner of the petrol engine. The starting of the Diesel engine required a powerful machine to obtain the necessary pressure, which rendered it unsuitable for vehicular transport, but it could be used wherever a sufficiently heavy installation was permissible ; and burning as it did an almost worthless by-product, the net cost of running it was low. Finally, since with this machine there is no longer any need for boilers, and also mazut, compared with coal, gives the same number of calories in a smaller volume, a Diesel engine takes up much less room than a steam engine of the same power.

A revolution followed. Wherever no great or rapid variations in power were required, Diesel engines began to be employed. Shipping especially made use of them; applied originally to fishing-boats and coasting vessels, they gradually increased in use for long voyages. A vessel fitted with a Diesel engine can sail for fifty-seven days without rebunkering, while with a steam engine it could not sail for more than a fortnight. Oil, confined at first to industries on land, began to conquer the seas.

Nevertheless, in spite of numerous improvements, the internal combustion engine enjoyed so far only a comparatively modest success, and the great liners seemed beyond its range. Then came the idea of introducing the mazut directly into the furnaces of great ships. Since it requires great quantities of oxygen in burning, powerful injectors were contrived for fitting to the furnaces in order to convert it into spray, mingle it with air, and so facilitate combustion. By means of these supplementary inexpensive installations and small alterations in detail, ships of any size can now be converted to burn oil in a short time and at small cost.

The advantages of such conversion are enormous. For the same weight fuel oil gives 70 per cent. more heat than coal. It is less bulky; it is not dearer; it is easily manipulated, for it flows by itself into the machine; it economises labour considerably; it permits of more rapid variations in speed. Giving out more heat for a smaller volume, it increases the radius of action about 50 per cent. with the expenditure of the same power, and also allows of a saving of 30 per cent. in bunker space. This last-mentioned fact is specially important for armoured vessels, which can in consequence be armed with more powerful guns. Hence the British super-dreadnoughts, like the *Queen Elizabeth*, burn only oil, as do also the great American battleships *Nevada* and *Oklahoma*. The naval authorities of the United States have completely given up the use of coal in the new capital ships under construction. The great shipping companies have likewise fitted their recent liners to burn liquid fuel. In naval and in merchant shipping, mazut is on the way to dethrone coal.

III.—THE BRITISH EMPIRE IN DANGER.

This simple fact was pregnant with consequences for world politics and the relations between States. From the start, high British circles had followed with anxious attention the advance of mazut as a fuel for big ships. Everybody knows that British naval supremacy is the essential condition of the existence of the British Empire. Now, she owes this not only to the number and tonnage of her ships, but still more to her control of fuel. Thanks to the innumerable coaling stations which she has established and which she supplies upon all the world's trade routes, neither warship nor merchantman can cross the ocean without her permission. Furthermore, coal assures to all her ships, great and small, an outward freight certain of sale in any country. Thus they always set sail fully laden, which enables them to give lower homeward freights than any other nation. As a result, all merchandise consigned to Britain costs less for transport than if consigned to any other country ; and British industries enjoy the equivalent of a rebate upon all raw materials bought abroad. This is a weighty advantage over all competitors in the struggle for international markets. It might be said that the whole commercial and industrial prosperity of Britain has rested for a century upon this mastery of coal.

But from the moment when it became possible to use oil fuel for ships, everything was changed. Britain does not produce oil. The United States provide about 80 per cent. of the world's consumption. Were they, then, going to take upon themselves the part of compulsory purveyor to all the fleets of the world ?

By a slice of luck, they had no merchant marine. Incapable of utilising their precious fuel oil upon the sea, they could only supply British liners. The big British companies—the *Cunard*, the *White Star*, and so on—made great haste to convert the boilers of their huge mail steamers to the new fuel.

Then came the War. In the face of the formidable rise in freights, the enormous demand for maritime transport, and the fearful losses caused by German submarines, American engineers set up immense shipbuilding yards

on the two oceans, and, with the energetic encouragement of their Government, in three years built a merchant fleet whose tonnage almost equals, and next year will surpass, that of the British. Then, in possession of the ships and in control of the fuel, may not America be tempted to wrest from Great Britain the world's carrying trade which she has monopolised so long? If only she bethought herself of establishing oil depots in the principal ports—and the *Standard Oil Company* has already announced its plans for this—all the world's shipping, and the proud British steamers themselves, at whatever point they touched land, would be obliged to beg the permission of American oil merchants to continue their voyage.

The military power of the great Empire is thus compromised. The American Congress has recently voted a formidable shipbuilding program. All its super-dreadnoughts of the *Nevada* and *Oklahoma* type are oil-burning. And already it is stated that, thanks to the saving in weight and tonnage due to oil fuel, the power of their guns and the extent of their radius of action enable them to shell and pursue the most terrible mastodons of the British fleet without risk of attack upon themselves. The military security and the commercial supremacy of the United Kingdom are threatened at one and the same time.

Strange indeed are the irony of fate and the frailty of empires! For six years Britain waged an exhausting war, with the main object of ruining German shipping for ever. At the cost of enormous sacrifices, which will weigh upon her for half a century, she gained her end. The Kaiser's magnificent battleships now lie at the bottom of Scapa Flow, and the fine steamers of the *Hamburg-America Line* and the *North German Lloyd* have been shared as booty among the victors. The only maritime rival she had to fear is humbled to the dust. Yet now, from the very war which destroyed that competitor, a new one has arisen, twice as formidable as the old, for, in addition to a superiority in tonnage, it enjoys the practical monopoly of a fuel of which Britain has none. The burning of American oil in the boiler-rooms of the great liners may be the downfall of the British Empire!

CHAPTER II

THE BRITISH ATTACK

I.—THE GROWTH OF THE *SHELL* TRANSPORT.

FROM what follows one may judge the remarkable foresight and skill of the small group of business men and statesmen who govern and maintain the gigantic edifice of an Empire which Rome alone has equalled. Even before the War, at a time when no one was yet thinking of it, they had a clear vision of the serious consequences which the coming of oil fuel would entail upon the balance of power and the destinies of their country. All were aware, by a long-standing tradition, that the British Empire is founded upon its deposits of coal. From the moment when another fuel threatened to oust coal, it became necessary to gain possession of the substitute, to obtain over oil the same supremacy they already had over coal.

Accordingly, without wasting a minute, by adroit and wary manœuvres, they planned and carried through, amid the general inattention, a monopoly of practically all the world's oil reserves.

The task, it must be admitted, seemed extraordinarily difficult. Nature has given Britain coal in such abundance, and has placed it everywhere so close to the sea, that one might almost say it has put all the shipping of the world in dependence upon the British coal merchant ; but it has denied her oil (at least, such was still the general belief a few months ago). Fortunately the Rothschild group had for a long time possessed important interests in the oil of Baku ; various British companies were operating in Rumania. These undertakings had trained, skilful prospectors and experienced technicians ; the British metal industries had equipped themselves for the manufacture

of pipe lines, storage tanks, centrifugal pumps, tank wagons, and tank steamers. Thus there lay ready to hand the human and mechanical equipment indispensable for a rapid development. But, above all, Britain possessed a group of daring financiers, capable of taking the long view, controlling a large capital, and highly expert in the delicate art of issues, flotations, fusions and other combinations to which the limited liability company so readily lends itself.

Their first concern was to avoid rousing the attention of Rockefeller and his redoubtable *Standard Oil Company*. A timid beginning, therefore, was made with the development of the *Shell Transport*. This was originally a small company which traded in mother-of-pearl in distant seas. As a side line, it took up an interest in certain oil undertakings in Egypt and in the Straits of Malacca. It prospered; and soon, under the guidance of Sir Marcus Samuel, mother-of-pearl yielded pride of place to oil. Thanks to the support of the Rothschild group, it did not lack for capital, and its subsidiaries flourished like a green bay tree. Its prospectors scoured India, Ceylon, the Malay States, Northern China, Siam. Important concessions were acquired in the Dutch East Indies, in the Caucasus, and in Rumania. Insensibly, the *Shell Transport* stretched its tentacles over every quarter of the Old World.

II.—THE INVESTMENT OF THE PANAMA CANAL.

In the meantime, thanks to American capital, the construction of the Panama Canal advanced rapidly; a few years hence, half the liners of the world would be passing through the Caribbean Sea and wishing to replenish their supplies of fuel. Thus there was an incentive to discover and exploit any oil fields there might be close to the great shipping route.

Already another British group, outwardly distinct, had established itself in Mexico. The rich fields of Tampico, situated right upon the shores of the Gulf, were a particularly attractive prey. The Pearson group acquired interests there, and formed the *Mexican Eagle Oil Company* (1911).

But hereupon the New Yorkers began to take alarm. North Americans are in the habit of considering Mexico as

their Algeria or Morocco ; they look upon it as a preserve for their future expansion. The Mexican Republic passed its days in peace so long as the dictator, Porfirio Diaz, reserved all railway and oil concessions for the Harriman and Rockefeller trusts ; but immediately the legal Government displayed its intention of negotiating with European groups as well, civil war broke out. Extemporary generals and lawyers on the make placed themselves, with their bands, in the pay of the rivals, and were duly supplied with money and munitions, the one across the land frontier, and the others through the Gulf ports. Any brigand chief lucky enough to threaten Tampico was sure of getting subsidies and arms from one side or the other. It was the period of *pronunciamentos* in the Spanish style, in which the gold of the British and American trusts played a barely disguised part. The struggle still goes on ; the recent assassination of Carranza was only an incident in it. Rockefeller and Lord Cowdray continue to make war on each other with the help of Mexican *condottieri* ; and impassioned discussions of the different constitutional programs only hide at bottom the opposing interests of the *Standard Oil* and the *Mexican Eagle*.

The Pearson group, however, did not confine its activities to the country of Villa and Carranza. During 1912 and 1913 it had succeeded in obtaining the grant of important oil concessions from the various Governments in Costa Rica, Colombia, Venezuela, and even Ecuador. This would have given it, in point of fact, a monopoly of the supply of oil to all the shipping which passed through the Panama Canal. Were the United States going to let slip the absolute control of this world-highway which had cost them so dearly in treasure and in toil ? There followed, not without surprise to some, a demand by the Washington Government for the cancellation of these concessions as an infringement of the Monroe Doctrine—a bold deduction, of which the old President would assuredly never have dreamt in 1823 ! Thus, under the pressure of the “ interests,” are great principles given unlooked-for applications. . . . Besides, in the modern world, the monopoly of an oil field may actually offer the same dangers as an armed invasion. However that may be, the Washington Cabinet

persisted in its veto, and the concessions to the Pearson group were withdrawn.

Britain, naturally, did not give up her scheme. Since, less fortunate than at Suez, she had allowed the control of the Panama Canal to escape her, she must at least have control of the supply of fuel and stores to the shipping which passed through it. From now onwards, however, it was necessary to act with greater prudence and through the intermediary of a group more acceptable to the United States.

Accordingly, the *Shell Transport* proceeded to establish itself in Trinidad (a British colony), then in Venezuela and Colombia. To quiet all fears, it had the ingenuity to associate itself with American firms where necessary. For instance, by joint action with the American *Carib Syndicate*, it formed the *Colon Development Company* as a British company. Subsequently it transpired that all the British shares are held by the *Burlington Investment Company*, which is itself dependent upon the *Shell Transport*. The latter thus enjoys control of an oil undertaking at the very entrance to the Canal.

III.—THE *SHELL TRANSPORT* IN THE UNITED STATES.

It is a strange fact that, while the Americans were watching the activities of the Pearson group with evident hostility, they displayed not the least mistrust of the *Shell Transport*, which, by a veritable master-stroke, had established itself in the heart of the United States. American law, unlike French, does not distinguish between ownership of land and ownership of the minerals. Both alike belong to the owner of the surface. If, then, a private individual discovers at any depth a deposit of oil or of ore within the boundaries of his property, he is at liberty to work it, lease it or sell it however he desires, without the intervention of the State.

It was thus quite easy for the *Shell Transport* to buy land, sink wells and work oil as it liked. The source of its capital did it no harm, for before the War nearly all American large-scale industry had had to make calls upon European savings. And then the Democrats, fearful of the political

and commercial power of the great trusts, were not sorry to set against them foreign companies which, while usefully stimulating competition, could have no influence upon domestic politics.

Hence the British company was allowed to set up its pipe lines and its storage tanks side by side with those of the *Standard Oil*. Very cleverly, too, it contrived to issue shares to the American public in order to give the latter an interest in its prosperity ; and the operation was facilitated by the fact that the dividends it paid were very high. In 1919, the *Shell Transport* placed 750,000 shares upon the New York market ; by so doing, it realised a premium of £4,390,623, out of which 4 millions sterling were appropriated to reserve and to amortisation. A delightful stroke, indeed, to make use of the capital of a competitor in order to develop a concern which is to deprive him of his supremacy ! But then what reason had the Americans to distrust a company which operated in their own country and with their own money ?

The *Royal Dutch*, the great Dutch trust, followed a similar policy. It bought oil-bearing estates in Texas and Oklahoma, issued a portion of its share-capital in New York, and exerted itself to acquire concessions in Central America.

The competition which to all outward seeming existed between the three companies—*Shell Transport*, *Mexican Eagle*, and *Royal Dutch*—quieted public opinion and reassured the authorities. They came to be looked upon as international undertakings without any political ends.

IV.—THE ADMIRALTY AND THE OIL OF ASIA.

To complete the illusion, the British Government (which assisted them in secret) all of a sudden simulated fear of their excessive growth. The Admiralty dropped a discreet hint to the House of Commons that, since oil had become indispensable for its dreadnoughts, it was important to free the navy from the tutelage of international trusts. It was voted the money required to obtain an interest in the operations of the *Burmah Oil Company*, which was exploit-

ing petroleum in Burma, and later it provided half the capital of the *Anglo-Persian Oil Company*, which had secured the monopoly for thirty years of all the oil fields of Persia.

Meanwhile, the Germans had discovered rich deposits of oil among the hills in the upper valley of the Tigris. Here was an excellent reason for demanding that this region should be placed under British influence. For had not Lord Curzon declared that Mesopotamia and the Persian Gulf formed a natural dependency of India?

But the Germans, supported first by Abdul Hamid and later by the Young Turks, had obtained a concession for a branch from their Bagdad railway, which was to approach the oil-bearing lands by way of Hanikin. Unquestionably, this oil field helped considerably to embitter the dispute which had arisen over the famous Bagdad railway between Germany on the one side and the British, French, and Russians on the other.

At the beginning of 1914 the conflict seemed to abate. This was the time when Sir Ernest Cassel, the little Frankfurt Jew, who had become one of the kings of British finance, was striving to avert the world War which threatened by bringing British, German, and even French interests into association everywhere possible. An agreement was arrived at: all the Mosul oil fields were to be conceded to a firm called the *Turkish Petroleum Company*; the capital was to be provided in part by the *Anglo-Persian Oil Company*, in part by the *Royal Dutch*, and by the Germans; the product was to be shared according to an agreed scale. It seemed that, upon this question at least, a peaceful settlement had been reached, when at that very moment war broke out.

In short, up to 1914, the British Government appeared to be completely uninterested in the development of the *Shell Transport*, and anxious rather to protect itself against that company. But, upon the pretext of safeguarding its reserves, it seized possession of oil fields which the company had not touched; and thus, while seeming to combat its over-great extension, it actually completed it;

V.—AMERICAN OIL ENSURES THE VICTORY OF THE ALLIES.

Such was the situation when hostilities began. Very quickly the consumption of petrol proved enormous. The destruction of numerous railway lines and the inadequacy of the French system behind the front led the generals to make greater and greater use of motor lorries for the transport of troops; then, in addition, there were the supply services in proximity to the trenches, the moving of heavy guns by tractors, the growing needs on account of aviation and the manufacture of explosives, not to mention the countless motors employed behind the lines. The *Shell Transport* scarcely sufficed to supply the British armies. As for France, nature had endowed her with neither centres of production nor reserves. She, therefore, had to approach the *Royal Dutch*, which provided her mainly with petrol for aviation, and above all, the *Standard Oil*. The Americans gladly lent their aid, thanks to which, in 1916, the army transported on motor lorries succeeded in saving Verdun.

In December, 1917, when the cartel of our ten oil merchants which had undertaken to supply our armies, admitted that it was powerless to fulfil its engagements and that its stocks would be exhausted in March, 1918, on the eve of the spring campaign, M. Clemenceau addressed a despairing appeal to President Wilson.¹

Upon the orders of the latter—and in spite of certain intrigues on the part of the French group—the *War Service Committee*, consisting of the great heads of the American industry, immediately placed all the required tankers at the disposal of France. Thanks to the reserves thus built up, at the time of the great German push in Picardy, Marshal Foch was able to bring up heavy reinforcements by motor lorries and fill the gaps where the British front had been broken. The Allied Governments, after each had established for itself a centralised control of the distribution of oil supplies, had already decided to pool the whole of their resources, and had set up the *Inter-Allied Petroleum Conference*. Through the work of this body, in spite of the huge consumption, the armies in France and Italy and Macedonia

¹ The text of this telegram was published by M. Henry Bérenger in his book, *Le Pétrole et la France*. We reproduce it in the Appendix.

never lacked a can of petrol for their lorries, or for their aeroplanes, or for their explosives.

And when at length the advance of the Salonika Force, by cutting off Rumanian oil from the German army, diminished its mobility, it was the use of motor transport on a large scale which enabled Marshal Foch to hammer the enemy army into fragments. It has well been said that "the victory of the Allies over Germany was the victory of the lorry over the locomotive." This time, the military and political importance of oil was apparent to every eye.

On the morrow of the Armistice (21st November, 1918), the triumph was celebrated with enthusiastic speeches at a dinner given by the British Government in London to the members of the *Inter-Allied Petroleum Conference*, when Lord Curzon made the memorable pronouncement: "The Allies floated to victory on a wave of oil."¹

But from the moment when this simple product came to have so close a connection with victory, it was clear that the British would no longer be willing to leave it to others. From the end of 1918, the *Standard Oil Company*, anxious to reap the advantages which its supremacy for the time being gave it, resumed its freedom. Thus, the pooling of all resources and the complete co-operation which the War had imposed upon all the companies came to an end with the end of the War; and the triumphal chorus of the *Inter-Allied Petroleum Conference* was also its funeral oration.

VI.—THE ROYAL DUTCH IN THE BRITISH GROUP.

Scarcely had the Armistice been signed when Britain resumed her silent labour towards monopoly, and straight-way delivered a master-stroke by bringing the *Royal Dutch* within her grip. This enterprise, thanks to the wealth of its fields in the Sunda Islands (Java, Sumatra, Timor, etc.), its powerful financial organisation and its fleet of tank steamers, was by far the most important of the European trusts. To be frank, it had lately been suspected of a certain sympathy with Germany, whose market it used

¹ The text of his speech is given in the Appendix.

to supply. But when war supervened, the British navy, by its command of the seas, was in a position to hold up its traffic completely. And, therefore, it prudently placed its resources at the disposal of the Allies, gaining thereby a huge increase of business and of profits. The downfall of the German Empire and the Draconian clauses of the Treaty of Versailles which spell the ruin of German shipping and industry for ten years, convinced it that it could only enjoy security through an understanding with Britain.

As early as 1907 an association had been formed between the *Shell Transport* and the *Royal Dutch*. Each of the two companies kept its separate financial organisation, but each agreed to grant to the other participation to the extent of 40 per cent. in all new subsidiaries, and a most comprehensive commercial understanding was reached upon all questions concerning markets, prices, freights, etc. Henceforward, the Dutch trust, whose enormous interests scattered all over the world little Holland was quite incapable of defending, enjoyed the protection of the British Government. The latter, in return, has obtained an associate whose contribution is represented by a production of 10 million tons a year, a fleet of tankers of 600,000 tons (ten times that of France), enormous concessions in the East Indies, Rumania, the United States, and Central America, and a system of affiliated companies with a total capital of over 200 millions sterling.

By the side of this formidable trust is ranged the *Shell Transport* with a fleet almost as large (554,609 tons, without counting chartered or controlled ships or the monitors bought from the Government and adapted for the transport of oil), with a production of 2,092,907 tons in the Dutch East Indies and 2,880,000 barrels in the United States, and a system of affiliated companies with a total capital also running into many millions of pounds.

The *Mexican Eagle*, belonging to the Pearson group, passed in its turn under the control of Sir Marcus Samuel.

As for the *Anglo-Persian Oil Company* and the *Burmah Oil Company*, half of whose capital is held by the Admiralty, they are only light cruisers which naturally sail in company with the three great battleships.

This formidable combination was engineered with great

rapidity during the months immediately following the Armistice. For Britain it was the first and not the least savoury of the fruits of victory.

VII.—THE OIL EMPIRE.

From now you may seek the world over, and you will not find a single oil-producing country in which the British group has not control of important sources, as the following table shows :—

EUROPE :

Rumania . . . *Shell—Royal Dutch.*

Russia . . . „ „

AMERICA :

California . . . *Shell—Royal Dutch.*

Oklahoma . . . „ „

Texas . . . „ „

Trinidad . . . „ „

Venezuela . . . „ „

Mexico . . . „ „ (*Mexican Eagle*).

ASIA :

Dutch East Indies *Shell—Royal Dutch.*

Burma . . . *Burmah Oil Company.*

Persia . . . *Anglo-Persian Oil Company.*

AFRICA :

Egypt . . . *Shell—Royal Dutch.*

To-day, on all the trade routes of the globe, Britain, if she pleases, can duplicate her coaling stations with oiling stations. She no longer has to fear an American monopoly. In the matter of liquid or solid fuel for her merchant marine and her navy, the British Empire retains her independence. Still better, she is in a position to impose upon others the stranglehold from which she has managed to extricate herself.

It must be admitted that the entire production of the Anglo-Dutch combination does not reach one-third of that of the *Standard Oil*. But the oil lands of the United States are being rapidly exhausted ; according to American estimates, their total supply does not exceed 7,000 million

barrels, while the rest of the world possesses 53,000 million ; and the bulk of these reserves Britain by this time has secured for herself. Already her business men are announcing that the day will soon come when the American fleet will be dependent upon British oil. The wheel will then have turned full circle ! Ten years ago Britain possessed no oil, to-day she is independent, to-morrow she will be mistress. The foundation of her Empire—her coal deposits—had seemed to shake, but they have been strengthened by a fresh monopoly, and the very force which threatened to bring the whole edifice down in ruins is destined to consolidate and strengthen it.

The feat has been accomplished by the silent efforts of a few men such as Sir Marcus Samuel, chairman of the *Shell Transport*, Lord Cowdray, head of the Pearson group, Lord Curzon, formerly Viceroy of India, and Professor Sir John Cadman.¹ By the combination of technical knowledge, business experience, and diplomatic skill, they have succeeded, in the most unfavourable circumstances, in quietly carrying out a great and far-reaching scheme. They have planned boldly, followed up tenaciously, and seized the right moment for decisive action, thus giving an admirable example of what may be achieved by a few men of genius at the head of a great Empire when they are put on their mettle. Their success is comparable with the great triumphs of the Roman Senate in its palmiest days ; and later, when all its consequences are realised, it will be the wonder of the Montesquieu and the Machiavelli of the future.

¹ Sir John Cadman, professor at Birmingham University, is a mere "intellectual" in this group of business men and statesmen. But it was he who, as a result of his studies and investigations of the world's oil resources, conceived and rendered possible the great plan. He was "technical adviser" to the British Government, which made him chairman of the *Inter-Allied Petroleum Conference* during the War. His signature appears alongside Mr. Lloyd George's at the foot of the agreement of 24th April, 1920, which hands over all French oil to Britain.

CHAPTER III

THE AMERICAN RETORT

I.—FIRST ANXIETIES.

DURING this period America basked in a false security. What reason had she for anxiety? Did not statistics show that she contributed 70 per cent. of the world's oil production? Had she not, during the War, supplied 80 per cent. of the Allies' needs? Her production was constantly increasing, and the public, convinced that her resources were inexhaustible, seemed to imagine that oil grows in the earth like cherries on a cherry tree.

However, a few months after the Armistice the experts noticed that the stocks in the reservoirs of the trust were falling rapidly. The multiplication of Ford cars involved a huge consumption. In the orgy of extravagance which followed the War in the United States as elsewhere, every skilled workman wanted to go to the factory in his own car, and the farmers, who had grown rich on the high price of corn, did the same. Agriculture, depleted of its labour, required tractors, which were turned out in thousands by converted munition works. Manufacturers' order books showed that, in the United States by the end of 1920, there would be 8,000,000 automobiles consuming petrol at a prodigal rate. It was estimated that in the future motor cars, lorries, and tractors would absorb 85 per cent. of the national production, leaving only 15 per cent. for industry, shipping, and export. This is hopelessly inadequate. And certainly it is intolerable that the ships of the country which is the largest producer of oil in the world should be at the mercy of foreign trusts.

Accordingly, at the word of command from the *Standard Oil Company*, American prospectors began to scour the

world in search of new fields. But immediately, almost everywhere, they ran up against an unforeseen obstacle.

In October, 1919, one of these agents, having read perhaps in his Bible that there were deposits of asphalt by the shores of the Dead Sea, arrived in Jerusalem. The British general who was Governor of the town had him arrested. President Wilson at once protested to London: in the name of the Fourteen Points, he urged the view that there should be "equality of treatment," at the very least, in countries which, like Palestine, are under the control of the League of Nations. But the Foreign Office replied that it had prohibited prospecting for oil even by British agents in this region. There was therefore no "discrimination" to the disadvantage of Americans; it was merely the substitution of the "closed door" for the "open door."

The same reply was given to the President's protests upon the subject of the oil of Mesopotamia.

In Central America, it was discovered that British banks had obtained a controlling interest in certain companies which had been thought American, and closed their concessions to American prospectors. In less than six months the agents of the *Standard Oil Company* stumbled upon deals of this kind in every continent. The idea then began to dawn upon them of a concerted plan to exclude the United States from hitherto unexploited fields.

On 10th March, 1920, Senator Gore of Oklahoma (an oil-producing State) called attention to these facts, and the Senate voted a resolution calling upon the Federal Government for an immediate report "upon the measures taken by foreign Governments to exclude Americans from oil fields."

II.—SIR E. MACKAY EDGAR'S CHALLENGE.

Some days later, long before the departments at Washington had examined their files, the reply came from London, precise, brutal, arrogantly impertinent and ironic. In Lord Northcliffe's *Times*, Sir Edward Mackay Edgar, Bart., suddenly displayed the results of the painstaking subterranean labours of Sir Marcus Samuel, Lord Curzon, Sir John

Cadman and other "petroleum statesmen." He wrote: "I should say that two-thirds of the improved fields of Central and South America are in British hands. In Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Colombia, Venezuela and Ecuador, a decisive and really overwhelming majority of the petroleum concessions are held by British subjects. They will be developed by British capital. The Alves group, whose holdings encircle practically two-thirds of the Caribbean Sea, is wholly British, working under arrangements which ensure that perpetual control of its undertakings shall remain in British hands. No American citizen and no American group has acquired or ever could acquire any such position in Central America as that which enterprise and personality have secured for M. Alves. Or take again that greatest of all oil organisations, the Shell group. It owns exclusively or controls interests in every important oil field in the world, including the United States, Russia, Mexico, the Dutch East Indies, Rumania, Egypt, Venezuela, Trinidad, India, Ceylon, the Malay States, North and South China, Siam, the Straits Settlements, and the Philippines."

Having described this world-wide stranglehold, Sir Edward added pitilessly:—

"We shall have to wait a few years before the full advantages of the situation shall begin to be reaped, but that that harvest eventually will be a great one there can be no manner of doubt. To the tune of many millions of pounds a year, America before very long will have to purchase from British companies, and to pay for in dollar currency in progressively increasing proportion, the oil she cannot do without and is no longer able to furnish from her own store. I estimate that, if their present curve of consumption, especially of high-grade products, is maintained, Americans in ten years will be under the necessity of importing 500 million barrels of oil yearly at \$2 a barrel—a very low figure—and that means an annual payment of \$1,000,000,000 per annum, most, if not all, of which will find its way into British pockets."

Anticipating an American counter-attack, Sir Edward flung this challenge: "With the exception of Mexico, and to a lesser extent of Central America, the outer world is

securely barricaded against an American invasion in force. There may be small, isolated sallies, but there can never be a massed attack. The British position is impregnable."

And, to conclude, he added ironically: "This is no revelation. The United States experts have been well aware of this situation for more than a year. But Congress and public opinion were not on their guard. The public at large, convinced that America is an immense reservoir of petroleum, and never having seen its engines stop for want of oil, took it for granted that petroleum is a product which grows naturally, like apples on apple trees. Unfortunately for them—and fortunately for us—their eyes have been opened too late."

III.—THE SENATE CREATES RESERVES OF OIL.

This article, summarised or reproduced in the American Press (*Philadelphia Public Ledger*, 9th April), created a great stir among the public and still more in political circles. The veil was rudely torn away, and behind the motley curtain of the Anglo-Dutch trusts America suddenly discovered the long, prehensile fingers which were beginning to filch barrels of petroleum all over the world, and even within her own borders.

Yankees are good sportsmen; not a word of recrimination was uttered against perfidious Albion. On the contrary, indeed, in the course of a discussion upon naval appropriations on 28th April, Senator Phelan of California, after denouncing the camouflage of the British Government in acting under cover of a Dutch trust, added: "I am not criticising Great Britain. I admire the foresight of the men who, at the helm of State, are steering the State so that her ships and her navy will be always provided with the essential fuel. But if Great Britain for some reason enters into the field under the name of the Royal Dutch Shell, why should not the United States enter into the field as long as individuals are apparently disqualified and lack equipment or protection?"

Senator Jones, President of the Committee on Commerce, spoke in a similar strain: "I admire Great Britain for what she is doing, how she stands behind her citizens, how she

stands behind her industries, and I would like to take a leaf out of her book. Let us stand behind our people as she stands behind hers. Let us encourage our people as she encourages hers. Let us do what is necessary for our interests as she does whatever is necessary for her interests."

The lesson had indeed gone home. Whatever admiration the Americans may have for a trick skilfully brought off, they are not the people to take it lying down. The first precaution was obvious—to close, for the future, to foreigners, and particularly to the British, the oil-bearing lands within the actual territory of the Union. The American law, which gives the subsoil to the owner of the surface, renders the acquisition of mineral deposits by foreigners too easy. An end had to be put to this scandal. Since the law could not be altered without long debates, an ingenious expedient was devised. On 28th April, 1920, a vote of the Senate authorised the Secretary for the Navy to set apart as "reserves," in any State he wished, petroliiferous lands, which then were not to be sold or leased without his permission. The reason invoked was the necessity of safeguarding supplies of oil for the navy; but the result was to render possible henceforward the exclusion from all oil concessions of companies whose origins or tendencies were suspect to the Government. The United States in their turn adopted the policy of the "closed door."

IV.—RAPID EXHAUSTION.

While the politicians were being stimulated to take defensive measures, the departments at Washington set to work to define the position exactly. On 2nd May the Geological Survey published the following note, which, in its statistical aspect, might well be described as a distress signal :—

"The latest statistics collected by the Geological Survey of the Department of the Interior show that foreign countries consume half as much petroleum as the United States, while their soil contains seven times as much.

"Those countries consume at present 200 million barrels a year; at this rate, they have sufficient reserves for 250 years. The contrast with the production of the United

States is striking. The latter, with a consumption of 400 million barrels a year, have an assured supply for only eighteen years. In other words, the United States are using up their reserves sixteen times as quickly as the rest of the world.

"If what may be obtained by the distillation of shale or otherwise is neglected, the total quantity of petroleum which may be extracted from the soil in the entire world is estimated to be 60,000 million barrels. Of this, 43,000 million barrels may be considered more or less definitely proved by successful drillings. The balance represents the petroleum which it is thought may be found in other regions where seepages, deposits of asphalt or favourable geological conditions have been determined, although no economically productive oil wells have been sunk.

"Out of this enormous total, which represents nearly thirteen times the amount of oil extracted from American soil up to the present, and about nine times the world's production up to the present, only 7,000 million barrels in round figures exist in the United States and Alaska, and the remaining 53,000 million are in foreign countries.

"The latter amount is shared in roughly equal quantities by the Old and New World, the Americans disposing of a quantity which very nearly approaches that of the other continents. However, as in the case of coal, the exploitation of petroleum will be developed much more quickly to the north of the Equator than to the south.

"Fortunately, it is quite impossible to prospect and extract the 7,000 million barrels still buried in American soil in so short a period as eighteen years. Instead of exploiting our reserves so rapidly, we ought either to draw more and more oil from foreign countries or to reduce our consumption. Our children will probably do both."

It will be readily understood that such calculations—however hypothetical they may be—could not fail to make a strong impression upon opinion. In the United States, where every workman means to go to the factory in his Ford car, where farmers are obliged to buy lorries and tractors owing to the labour shortage, neither the public nor the makers of engines, ships and aeroplanes wish to restrict their purchases or their production. The conclu-

sion which became obvious to all was to acquire concessions abroad.

V.—THE POLK REPORT DENOUNCES THE BRITISH MANŒUVRE.

Now, a fortnight after this official communication, the Americans learnt that a sort of conspiracy was brewing to shut them out from all the sources of oil in the five continents. On 17th May, 1920, President Wilson transmitted to the Senate the report of the Secretary of State, requested by Senator Gore on 10th March. Mr. Frank L. Polk, Acting Secretary of State, wrote:—"The policy of the British Empire is reported to be to bring about the exclusion of aliens from the control of the petroleum supplies of the Empire, and to endeavour to secure some measure of control over oil properties in foreign countries. This policy appears to be developing along the following lines, which are directly or indirectly restrictive on citizens of the United States:—

"1. By debarring foreigners and foreign nationals from owning or operating oil-producing properties in the British Isles, colonies, and protectorates.

"2. By direct participation in ownership and control of petroleum properties.

"3. By arrangements to prevent British oil companies from selling their properties to foreign-owned or controlled companies.

"4. By Orders in Council that prohibit the transfer of shares in British oil companies to other than British subjects or nationals."

These measures have had the results detailed below.

British monopolies have already been established in the United Kingdom, Persia, India, and many other countries. In addition, the Netherlands Government seems to be on the point of granting the *Royal Dutch Shell Company*, now controlled by the British Government, the exclusive right of working all the oil lands in the Dutch East Indies, including Sumatra.

"It is understood that the British Government has a controlling interest in the *Anglo-Persian Oil Company*, and

that it has also assisted in the development of the Papuan oil fields by bearing one-half of the expense and contributing experts. . . .

"According to recent reports, prospecting for petroleum is lawful in the United Kingdom only by the Board of Trade or the Minister of Munitions, or persons authorised by them. Similar regulations apply to working a petroleum property. The only drilling now going on in the United Kingdom for petroleum is being done by *S. Pearson and Son, Ltd.*, as petroleum development managers to the Government.

"It is said to be unlawful for a British citizen, without the consent of the Board of Trade, to transfer to an alien or to a foreign-controlled company any interest in a company controlling an oil field in the United Kingdom."

In Trinidad, where there are rich deposits of oil, no one can acquire oil-bearing land without the authorisation in writing of the Governor, subject to the approval of the Secretary of State for the Colonies. "It appears that the Secretary of State for the Colonies has been following the policy which would require that any acquisition of oil rights by a British company would provide that not more than 25 per cent. of its capital or voting power is to be held by aliens, and also that the chairman and managing director, and a majority of the other directors, shall at all times be British subjects, together with such other provisions as might be deemed necessary to insure the company remaining under British control."

"Citizens of the United States are generally excluded from petroleum development in Persia, where the *Anglo-Persian Oil Company* has an exclusive right, granted 28th May, 1901, for a term of sixty years. This concession, extending over the entire country with the exception of five Provinces, and covering about 500,000 square miles, has been greatly strengthened by the agreement between the British and Persian Governments, signed on 9th August, 1919, by which the Persian civil, military, and financial administrations were placed under British supervision and direction."

Having shown what an enormous share the British lion has appropriated, the Report sets forth how nearly all

other countries, even the smallest, bar the door to foreign enterprise. Only in Bolivia, Colombia, Costa Rica, and the Dominican Republic do there appear to be no legislative restrictions, discriminating between nationals and aliens. The case is different in Guatemala, Ecuador, and, above all, Mexico.

The Report proceeds to quote from Article 27 of the Mexican Constitution of 1917: "Only Mexicans by birth or naturalisation and Mexican companies have the right to acquire ownership in lands, waters, and their appurtenances, or to obtain concessions to develop mines, waters, or mineral fuels in the Republic of Mexico. The nation may grant the same right to foreigners, provided they agree before the Department of Foreign Affairs to be considered Mexicans in respect to such property, and accordingly not to invoke the protection of their Governments in respect to the same, under penalty, in case of breach, of forfeiture to the nation of property so acquired. Within a zone of 100 kilometres (62.14 miles) from the frontiers and of 50 kilometres (31.07 miles) from the sea coast no foreigner shall under any conditions acquire direct ownership of lands and waters." It adds later: "There appears to have been as yet no judicial interpretation of Article 27. . . . The Department of State is not advised that the Government of Mexico has imposed express restrictions upon citizens of the United States in regard to the acquisition and development of petroleum-bearing lands in Mexico which are not imposed upon the nationals of other foreign countries. It should be noted that the holdings of American interests in Mexico are so extensive that general restrictions applicable to foreigners fall most heavily on American interests."

From all this information one fact stands out clearly. Sir Edward Mackay Edgar in his *Times* article had not bluffed. The official report proved that the United States were in a fair way to find themselves excluded from nearly all the oil-bearing regions of the world.

VI.—MR. O'DONNELL DEMANDS THE OPEN DOOR.

The Americans, however, are not the kind of people to let themselves be "encircled" without retaliating.

On the very day when the Polk Report was submitted to the Senate, Senator Phelan introduced "a Bill authorising the incorporation of the *United States Oil Corporation*," for the exploitation of oil in foreign countries. It was to be constituted on the model of the *United States Shipping Board*; while enjoying complete financial and commercial autonomy, and acting like a private company, it would work solely under the control and on behalf of the Government. Its capital would be exclusively American; the President would appoint its nine directors; and the Federal Government would have a prior claim to purchase the whole or part of its products. To be precise, the State would not itself provide the capital, because the laws of certain countries forbid the granting of concessions to a foreign State. But it would have behind it—like its British rival—the whole power of its Government, with all the means of pressure, economic and military, which the United States can bring to bear.

It must be recognised, however, that neither Congress nor the President has followed the lead of the Californian senator. For the time being, the official attitude of the American Government is as follows: given the general scarcity of fuel of every kind from which all nations are suffering, it is in the interests of the world as a whole that all available resources should be exploited to the maximum; what matters, then, inasmuch as oil in particular is concerned, is that all Governments should remove any restrictions which hamper free prospecting and exploitation of their resources by any company, even a foreign company, which is in a position to turn them to account and so to increase the potential industrial production.

This was the thesis which the President of the American Petroleum Institute, Mr. Thomas A. O'Donnell, with equal courtesy and wit, developed before the International Chamber of Commerce on 29th June, 1920:

"Nobody has a higher appreciation than I of the Englishman abroad or at home. He is a good sportsman, always willing to take a chance in exploring for the world's treasure, a factor everywhere in development. I am rather surprised that some of my good English friends do not fully agree with me in advocating that a free opportunity should be

given to all people to explore for this useful product, and that all Government restrictions be removed, and that Governments, and particularly democratic Governments, should not join in business enterprises, creating privileges by combination or otherwise with their own citizens, or citizens or subjects of other countries. Such participation *is not in the interests of the future peace of the world*, but must add the ill-will and friction of commercial competition to the always delicate problems of international diplomacy in dealing with the natural problems of Government. . . .”

How oil is about to become a cause of international conflicts could not be better described.

Mr. O'Donnell concluded: “So far as the American petroleum industry is concerned, we are not asking for, nor do we want, any special privileges at home or abroad. We do ask, however, that in the interest of an increased production, serious consideration be given to the fact that a great part of the energy and talent engaged in the production of petroleum up to this time has come from America, that the world's requirements are increasing, and that as great an opportunity as is consistent with public policies should be extended to Americans and others to participate in the general development.”

Alas, it must be stated that this admirably liberal attitude, though it met with the support of the Italians, found no echo in the British and French delegations of the International Chamber of Commerce.

VII.—FRANKLIN K. LANE ADOPTS A DIFFERENT TONE.

Mr. O'Donnell's interesting report, though it brought him great personal success, was simply shelved. There is no doubt that America began to realise that some deception had been practised, and a note of asperity was now introduced into the controversy.

Scarcely had the International Congress of Chambers of Commerce broken up, when Franklin K. Lane, formerly Secretary for the Interior, took up the question in outspoken fashion. After summarising the data of the Polk Report, he said:—

“A policy of this description has inspired among

Americans the fear that Britain, in acting thus, desired to check the naval development of the United States.

"*Now, do such proceedings lead to peace or to war?* Is it admissible that Britain—not merely British capitalists, but the State or Government of Great Britain, that is, a political entity—should take possession of a market of such importance and keep the rest of the world out of it? It is surely obvious that if not only nationals, but States themselves, represented by Governments, take part in economic competition and turn themselves into commercial houses or industrial firms, there is no hope of appeasing the conflicts which will constantly arise out of commercial rivalry."

These plain words constitute a warning, the gravity of which does not need to be emphasised.

Henceforward, under the customary formulas of courtesy, the conflict has opened, no longer between two groups of business men, but between the two greatest economic and military forces in the world. It is no longer a question of commercial competition among companies hunting for dividends ; it is a question of the control of a product whose abundance or scarcity may change the ever unstable balance of power among nations. To obtain or to keep this product, each of the two rival Governments is ready to bring into action all the economic and military weapons which it has at its disposal. Between the two, nations of the second rank will be subjected to formidable pressure, the one trying to force them to open their doors when the other is compelling them to close them. Thus the question of oil has entered the danger-zone of diplomatic rivalries ; and all nations will have to take part. On 17th May, 1920, the very day when the Polk Report reached the Senate, the American Ambassador in Paris transmitted to our Government the grievances of the *Standard Oil Company*. France in its turn was drawn into the conflict.

CHAPTER IV

FRANCE IN THE CONFLICT

I.—THE IMPORTANCE OF FRENCH INTERESTS.

IN the oil duel between Britain and the United States, France represents a "second," who is by no means negligible.

Nearly twenty years ago, oil measures were discovered in Algeria in the district of Oran, where three companies controlled by the Pearson group are working; the lack of transport facilities alone prevents them from reaching an advanced stage of development.

In Morocco, borings made in 1917 revealed much more considerable oil fields.

On the east coast of Madagascar, two British companies, the *Majunga Oilfields* and the *Sakalava Proprietary Oilfields*, are exploring a tract of nearly 6,000 square miles. Other oil fields have been reported in Tonkin, in Laos, and in New Caledonia.

Finally, in France itself, borings have been made in the Isère Valley, in the Landes, and in Auvergne.

Doubtless, all these oil fields represent as yet only a potential source of wealth. The British trusts appreciate this well enough, for nearly all the preliminary work of exploration has been carried out by them.

France, however, now possesses much more important means of making her influence immediately felt. If our great banks have done nothing for the exploitation of the oil in our colonies, at any rate they have invested enormous sums in foreign petroleum. This is their traditional policy. To create an industry of any kind means both running risks and undertaking responsibility for its control. As they

work, in general, with their depositors' money and are directed by men without industrial experience, they are willing to do neither. Hence they are barred from all enterprise—even of national importance—unless it is guaranteed by the State.

But when a foreign company has successfully established itself and begun to distribute good dividends, when it is a fully developed concern, it is both easy and lucrative to issue its shares in the French market and to sell them at rising prices to a public easily stimulated by astute advertisement. In this way French small investors become proprietors of numerous oil wells in Rumania, Galicia, and the Caucasus. One need only glance through the official share list of the Paris Bourse to discover *North Caucasian Oil*, *Lianosoff*, *Grosny*, *Spies Petroleum*, *Boryslaw*, *Nafta*, *Steaua Romana*, etc., not to mention the various issues of *Shell Transport*, *Royal Dutch*, and *Mexican Eagle*.

All this represents many thousand million francs. In many companies, the majority of the shares are held by French investors and the control is in the hands of our banks.

The War, while it ruined some of the workings, enabled the owners to put forward important claims in Rumania, Galicia and Russia. Moreover, the victorious Allies having decided to distribute among themselves the German concessions, these companies are in a position to demand their share of the booty.

This fact gives considerable importance to the French group. According as it is drawn into the British or into the American orbit, it may influence enormously the issue of the struggle. That is why its co-operation is so eagerly sought by both disputants.

A third solution, however, suggests itself. May not France possess enough concessions in Central Europe, and enough reserves in her colonies, to enable her to exploit her own wealth, and form an independent group?

Fortunately—for the British—such a development is little to be feared. France does not possess even the elements of the necessary equipment. On account of the long-standing divorce between banking and industry, our financiers have never troubled to create it. As for our so-

called "refiners," their one idea has always been to avoid all the risks and labour of production. This characteristic feature of our financial oligarchy has, daily, such serious consequences for the future of the country that it is worth while drawing attention to it once again.

II.—THE FRENCH CARTEL AND THE CUSTOMS TARIFF.

In France ten concerns have acquired a monopoly of oil. They are :—

MM. Fenaille et Despeaux.

MM. Desmarais frères.

Les fils de A. Deutsch.

La Compagnie industrielle des Pétroles.

La Raffinerie du Midi.

La Société Lille-Bonnières et Colombes.

MM. Paix et Cie.

MM. G. Lesieur et ses fils.

La Compagnie générale des Pétroles.

La Raffinerie de Pétrole du Nord.

Of course, there has been no competition ; their primary concern has been to form a "cartel" in which they divide among themselves the different districts of France, fix the quantities to be placed on the market, and pledge themselves to sell at the same price—which is, naturally, the highest.

It is impossible for an eleventh company to establish a footing in France, for the ten others, having large reserves, could lower prices, and even sell at a loss for long enough to ruin the new competitor.

All the same, since the cartel imports the whole of its supplies, foreign companies producing their own oil could sell at a cheaper rate, and destroy its existing monopoly.

To avoid this catastrophe, our oil magnates approached Parliament.

Our deputies, for the most part, are fierce democrats, and—in the Chamber at any rate—enemies of the moneyed powers ; but they are also ardent patriots. For forty years they have lived in dread of hostile invasion, and in the long run their fear has spread from men to things ; before the War, the entry of a German pencil into France

inspired them with almost the same terror as that of an Uhlan would have done. Besides, their morbid solicitude extended equally to British, Spanish and American products. They trembled for sugar as for petroleum or steel. They were never appealed to in vain to raise the barrier of a prohibitive tariff against the foreigner. The Customs officer appeared to them an agent of national defence, on the same footing as the soldier. Protection was for them merely the economic aspect of patriotism.

Our oil magnates were not unaware of this state of mind ; they knew perfectly our democratic constitution—not as it is taught in the schools, but as it is understood in the lobbies of Parliament—and they were able to play upon that instrument with delightful virtuosity.

The first essential was to prevent foreign producing companies from selling their oil and its by-products directly in the French market. To this end they obtained in 1893 a minimum tariff of fr. 9 per quintal¹ on crude oil, and of fr. 13.50 on refined oil. Then they got classed as *crude* all oil which contained up to 90 per cent. of the products of refining. Such a quality was rare then (it has since completely disappeared), and it existed practically only in Pennsylvania. Our people then arranged contracts with American companies by which this oil was reserved for them. It was then only necessary to heat this product slightly to obtain *refined* oil, while paying only the duty on *crude* oil—that is, fr. 9.

Meanwhile foreign companies were handicapped ; either they had to import crude petroleum with a poor yield of spirit (30 to 40 per cent.) while paying the same duty of fr. 9 as our “refiners,” which put them at a disadvantage ; or they had to bring in refined oil, but then they must pay fr. 13.50 per quintal.

A pleasant alternative ! Thanks to this simple vote of Parliament, first, our refiners found themselves protected from all foreign competition, either in crude oil or spirit ; second, all their work consisted in slightly heating the 90 per cent. oil, when the last impurities disappeared and they had oil ready to be sold to the public, thus dispensing

¹ 110 lbs.

with costly installations, numerous workpeople, and large capital; third, they were certain of big profits. Indeed, it is an invariable rule that the price of a protected article in the home market is always equal to the price of that article abroad plus the Customs duty. Our gentlemen of the cartel, paying fr. 9 a quintal on the raw product, but protected by a tariff of fr. 13.50 on the refined, enjoyed, after deducting all the expenses of refining, a profit of at least fr. 3.50 a quintal¹—that is to say, they could sell oil to the French public at fr. 3.50 more than it would have been obliged to pay to any foreign company.

No doubt this was worth a few showy grants to French aviation, which were equally useful as advertisements and as preliminaries for the development of a new market. Such are the fruits of a skilful manipulation of "national representation."

III.—THE DUTY ON OIL.

Then, comfortably sheltered behind this Customs barrier, the cartel organised distribution within the borders of France, constructing reservoirs, dépôts, tank wagons and boats, in such a way that nobody, not even a producing company, could dispense with its services. Finally, having ascertained that the rich oil measures in Pennsylvania were exhausted, but sure, henceforward, of freedom from competition, the cartel gradually reduced its industrial operations—already simple enough! Between 1900 and 1903 the importation of crude oil decreased from 93.4 per cent. of the total imports to 28.17 per cent.; while that of refined oil increased from 6.6 per cent. to 71.83 per cent. The few refineries that have been retained serve chiefly as a pretext for the maintenance of the old Customs tariff, for, thanks to them, the classic argument of the necessity for protecting French industry can still be brought out in Parliament.

As a matter of fact, so-called "refiners" no longer refine anything whatever. They are simply merchants who deliver a product for consumption in France in exactly the same state in which they receive it from abroad.

¹ Figure given by M. de la Trémoille in his report to the Chamber.

Having done away with all risk, they have next done away with all effort. But they have, none the less, preserved their monopoly and their protective tariff.

The control exercised by the State during the War made it possible to estimate that their extra-industrial profit was not less than 50 million francs ¹ a year. That is, the French democracy makes a free gift of 5 million francs a year, on an average, to each of the ten privileged companies which have arrogated to themselves the lucrative honour of providing it with British or American oil.

Louis XV. himself was not more magnificent !

Invested legally with a semi-official monopoly, the ten farmers-general of oil buy from abroad a product already prepared, sell it, without alteration or risk, at a higher price than in any other country in Europe, and exact a veritable tax from domestic consumers, motorists, and owners of taxi-cabs and lorries. The whole French nation pays tribute to them, without receiving any special service in justification, and without any portion of the toll returning to the national revenue. It is a private tax, a feudal due ; and this exorbitant privilege has been granted in the name of the people by the elected representatives of a nation which has proclaimed the equal rights of citizens.

This case is not unique ; in the bosom of our society a whole oligarchy of trusts has arisen in railways, oil, steel, sugar, armaments, banking, whose strength rests solely on authority given in the name of the public.

The republican democracy has retained, without knowing it, the customs of the old regime ; it has, it would seem, established equality in the political sphere, only to maintain privilege the more firmly in the domain of economics.

IV.—FRENCH TRADE HANDICAPPED.

Even the actual figures convey only a dim idea of what this system of protection has cost France. Peacefully resting in the shelter of their Customs barrier, not only have the members of the cartel deprived the country of a

¹ The figure given by Senator Henry Bérenger, formerly Commissioner-General for Oil and Petrol, in his book *Le Pétrole et la France*, p. 280.

lucrative industry, but they have not even perfected their commercial organisation.

On the eve of the War, they possessed only fourteen tankers, varying from 3,000 to 6,000 tons, while the Americans had some of 12,000 and 15,000 tons. Naturally, in our ports, the special quays were of a size to suit these wretched boats; the storage tanks were small, and the pumps of an old pattern and of low power. We had at our disposal only 400 tank wagons and a few million cans.

What was the good of keeping up with technical progress—even to reduce net costs—since whatever happened the profit was certain, and the consumer, sacrificed by an ignorant Parliament, could not escape from the grip of the cartel!

As a result, when the outbreak of war suddenly increased importation, France had neither stocks in reserve nor sufficient boats, nor docks to receive foreign tankers. She had therefore to provide in her ports, at great expense, an equipment which other countries had possessed for ten years.

But all this is nothing to what follows. Our refiners, who refined nothing but oil giving a 10 per cent. wastage, were not interested in the by-products. They had caused mazut to be placed under the same tariff of fr. 9 as crude oil, which, given the low price of this commodity, was absolutely prohibitive. Thus, while not producing mazut themselves, they prevented France from buying and importing it. In 1918 the world as a whole consumed more than 30 million tons of this fuel, and not a hundredweight of it was coming into France.

Russia, the United States, Britain and Germany had long since begun to run their locomotives and their steamers on mazut; the Diesel engines were transforming the conditions of shipping and of a thousand industries; Swiss, German, British and American metal industries were developing the organisation for manufacturing the new machinery on a large scale. But the French shipbuilders could not follow the movement; our manufacturers could not even buy the internal combustion engines from abroad, for they could not obtain in France the necessary fuel. Compelled to work with coal, which is very dear, the whole

of French industry was again handicapped. And besides, there was a shortage of coal, both for factories and dwelling houses. It has been calculated that, in Paris alone, 20,000 tons a month of mazut, placed at the disposal of the "Metropolitain" and other electrified railways, would have liberated 40,000 tons of coal, that is, enough to warm 200,000 houses.

The mistake in policy was ultimately recognised. A law passed on 5th August, 1919, together with an administrative order of 30th August, reduced the duty on mazut from fr. 9 to 40 centimes. For scarcely more than a year has it been possible to introduce this fuel into France at a reasonable price. The organisation of the ports for its reception, the adaptation of furnaces, the construction of internal combustion engines still remain.

France, once again, will find herself several years behind the neighbouring nations. Who can say how many hundreds of millions of francs have been lost to the nation in order that the ten privileged companies of the cartel might receive their 50 millions !

V.—THE WAY OF LEAST RESISTANCE.

But at last a favourable opportunity appeared on the horizon. At the moment when France was deprived of the necessary coal by the tardy restoration of her mines, the inadequacy of the British supplies, and the ill-will of Germany, kindly nature offered vast oil fields in Algeria, Morocco and Madagascar, from which to make good the deficiency, and to ensure the running of railways, steamers and looms. France turned to her business men and said, "Give me this oil."

They replied, "Impossible. We have neither prospectors nor technical experts. To conduct the researches in Auvergne we had to employ Americans, and then Rumanians and Galicians. We have not enough tankers ; our fleet is absurd in both numbers and tonnage. We should need to obtain centrifugal pumps, to construct reservoirs, to lay pipe lines ; and our engineering industry has not the plant for the manufacture of these things."

"Then organise companies quickly, build factories, put

yourselves in a position to manufacture immediately what you lack."

"Impossible. For if we must have this plant in order to obtain liquid fuel, we must have fuel to manufacture the plant, and we have not enough. We are enclosed in a vicious circle."

"What then?"

"Only one solution remains. We must hand over our oil-producing lands to the foreigner, wait until he consents to exploit them, and humbly beg him to be good enough to sell us, at his own price, the fuel obtained from our territory. We are at his mercy, for if we showed any intention of developing our resources we should derive no appreciable benefit for two years, and Britain could deprive us of fuel, not to-morrow, but at once."

That is how the business men argue. And one sees what it costs a country to permit its captains of industry to take shelter behind protective tariffs. Like the upas tree their shadow casts a mortal spell.

Fortunately, the oil magnates exaggerate as usual. If the *Shell-Royal Dutch* group threatens to cut off supplies, the *Standard Oil* asks nothing better than to provide them. By playing off the one against the other and making use of their rivalry, by giving way a little first to one, then to the other, it may be possible to ensure the replenishment of stocks from day to day, to gain the time necessary for building up the requisite organisation, to develop the nation's reserves, and finally to establish an oil industry which is indispensable for the security and independence of the country.

To this end it is necessary and sufficient for French business men and statesmen to show as much boldness, tenacity and energy as their British colleagues. They have only to follow the masterly lesson given to America.

The field remains open, and Britain knows it. Therefore, she has decided to act without delay, before the public is informed; and knowing the value of the fleeting moment, and of the opportunity which does not return, she has done everything possible to draw France into her camp,—and for the time being has succeeded.

CHAPTER V

THE SAN REMO AGREEMENT

I.—BRITAIN WINS OVER OUR REFINERS AND BANKERS.

FROM the signature of the Armistice, Britain set to work to acquire all the oil fields possessed or controlled by France.

It was not, indeed, a question of despoiling faithful and trusted allies, but of concluding with them a contract of co-operation under which France furnished the capital and Britain the equipment and organisation, and all concessions were henceforward reserved for the new group, and therefore closed to Americans.

To attain this end, diplomatic pressure could be brought to bear on the French Government. But in France—as our friends are well aware—a Prime Minister is only an advocate employed to plead before Parliament and the public the cases for which he is briefed by the oligarchy. The first step, therefore, was to conciliate the vested interests in the shape of the group of refiners and the banks. London business men understand perfectly the strength and the weakness of their Parisian colleagues. The game was not difficult for them, but they played it with masterly skill.

With the cartel the task was particularly easy. Our ten so-called refiners have never had any desire to produce oil. What was the use of putting oneself to the trouble of soliciting concessions in Algeria and Madagascar, or recruiting prospectors from abroad, or sinking capital in experimental borings, or constructing pipe lines, when so much money could be made without the least exertion? Solidly protected against all foreign competition by the prohibitive tariff of 1893—maintained by the law of 30th August, 1919, as regards crude oil, petrol and lubricating oil—and, thanks to their powerful distributive

organisation, certain of being indispensable agents to any productive undertaking, they were quite ready to abandon to foreign companies all our colonial or foreign oil fields, provided that their trading monopoly in the home market was not interfered with. The British trust, absorbed, for its part, in finding an adequate outlet for its increasing production, had every interest in keeping on good terms with a customer of such importance. Moreover, it had the advantage over the cartel in that practically all the latter's tankers fly the British flag. On this side, then, no resistance was to be feared.

It remained to win the banks. It has already been seen how many Russian, Rumanian and Galician companies they have floated in France. Their interest in oil has been stimulated by the chance which victory gave them of acquiring a part of the German concessions. There could be no question of depriving them of their share of the booty.

Furthermore, the discovery of oil fields in France and her colonies may lead to the creation of numerous companies which will issue shares and bonds by the million for years to come with underwriting, commissions, speculations and profits of all sorts in perspective.

At the idea that all this might pass into the hands of a British trust, all the feverish world which swarms around the commercial banks, the issuing houses, the Bourse, and the financial press, could not fail to raise an uproar. In the name of patriotism they would accuse of treason a minister who dared hand over to the foreigner so rich an opportunity for diverse speculations; and as all these people have powerful influence with Parliament and the press, insurmountable opposition might be encountered.

Fortunately, the British group knows admirably these circles where its agents have worked for twenty years, and it knew what precautions to take.

What do our financiers and stockbrokers really desire at bottom? Not to produce and sell oil, but to produce and sell *shares*. That is their essential function and main source of profit. Very well. They can be given shares in British oil companies to sell. The trust will gain by freeing to some extent the London market, which grows

saturated by the repeated issues of its numerous associated companies.

Then, as though at a signal, the shares of the *Shell Transport* and *Royal Dutch* began to filter from London and Amsterdam to Paris. The sale was easy, for the War, by increasing the need for liquid fuel, had allowed these companies to accumulate enormous profits. The *Shell Transport Company* in 1919 declared a dividend of 35 per cent., and since the Armistice, the price per gallon, as well as the quantity produced, has continually increased. What prudent capitalist would have hesitated to profit by such a chance of enriching himself? And who, in the presence of these magnificent balance sheets, would have given a thought to the poor French colonial companies yet to be born?

II.—THE *ROYAL DUTCH* IN THE DANCING HALLS.

However, these purchases of foreign securities aggravated the already serious position of our exchange. The law forbids the exportation of capital, and the Commission upon the Exchanges—a little absent-mindedly—watches over its administration.

But, where shares are concerned, smuggling is simple. A sheaf of documents is easily disguised. They were imported by aeroplane. It is asserted that even the diplomatic bag was employed. Young *attachés* at the embassies—whom one would like to believe foreigners—introduced by this channel shares of the *Royal Dutch* and *Mexican Eagle*, and made pleasant and profitable connections for themselves in banks and in drawing rooms.

The depreciation of the franc continued; the pound, the dollar, and the florin rose to giddy heights. Consequently, securities quoted in foreign currency rose in Paris even when their prices remained stationary in London. The more the franc depreciated, the richer became all French holders of these securities. The game was easy. It was sufficient to deposit with a banker French Government securities or other sound securities as "cover," and to buy *Royal Dutch*, *Shell Transport* or *Mexican Eagle*, then tranquilly to await the rise in the exchange. It was bound to come, for the purchases of *Shell*, involving the

export of capital, caused the pound to rise ; the rise in the pound brought in its train the rise in shares, which led in turn to further purchases . . . and so *ad infinitum*.

Soon this game extended beyond the circle of professional speculators. By mysterious channels, the flood of Dutch and British securities found its way throughout society, respectable and otherwise. In the Faubourg St. Germain, as in Montmartre, in drawing rooms and dancing halls, courtesans and great ladies began to pledge their jewels in order to speculate in *Royal Dutch* ; the man who brought the precious documents instantly eclipsed the most skilful fox-trotter. A comic paper, beneath a picture representing a flirtation between a young fop and a lady of fashion *décolletée* to the hips, printed this scarcely exaggerated dialogue :—

“ When will you come and see me at my studio ? ”

“ I am a respectable woman.”

“ Every day at three o'clock you will get the latest quotations of *Royal Petroleum*.”

“ Be quiet, tempter.”

It was a mania, such as only the frivolous are capable of, and such as had not been seen since Law's ¹ famous scheme. Shares in the *Royal Dutch* of a nominal value of 1,000 florins (2,100 francs) were sold as high as 72,000 francs.

With this gambling the pound rose to 64 francs, the dollar to 17 francs ; all imported products and manufactured goods followed the movement, clothing, shoes, etc. . . . and the price of food rose, even on the coster's barrows. The cost to housewives amounted to hundreds of millions.

However, speculators, prostitutes, and society people, daily rejoicing in the fall of the franc, smiled to see their fortunes increase in proportion as that of their country diminished.

These people, said M. François Marsal, Minister of Finance, speculated with their country's fate.

But their patriotism was in no way troubled. They have always believed that the duty of the country was to

¹ John Law (1671—1729), born at Edinburgh, became Controller-General of the finances of France. He put forward a banking scheme which ended in a financial “ crash,” comparable with the South Sea Bubble.—(Translator's note.)

defend their capital, but that their capital was under no obligations to the country.

Let us add at once, for the satisfaction of poetic justice, that morality has had its revenge. A day came—after the professional speculators had sold out their securities at top prices—when the banks suddenly warned their esteemed clients that they could not continue their advances, and requested them to take delivery of their shares. Incapable of paying such sums, the greater number sold out: prices fell.

As London bought back, the pound in turn depreciated, bringing in train a further collapse, crash succeeding crash. *Royal Dutch* fell from 72,000 to 25,000 francs. To meet their obligations the amateur speculators had to sell their French Government securities and their sound industrials. The fall extended gradually to all sections of the market; many millions were lost in the crash, and for weeks afterwards the Bourse was in a state of complete collapse. A distinct fall was noticed even in period furniture, pictures and pearls. Meanwhile, the professional operators bought back for 25,000 francs what they had sold to their fair friends for 72,000.

From their offices in London, Sir Marcus Samuel and his colleagues of the Anglo-Dutch trust watched the changing fortunes of this highly modern tourney with an amused interest. They saw with satisfaction that the aim which they had set themselves had been attained. Thanks to this frenzied speculation, thousands of shares in the *Shell Transport*, *Royal Dutch*, and *Mexican Eagle*—it was surely by a providential chance upon these three that the gamble was mainly concentrated—crossed the Channel. A considerable portion of the shares of the trust is now in French hands. Of course, the headquarters and the big holdings which assure a majority in the meetings of shareholders remain in London. But the friendly and allied nation is now interested in the prosperity of the undertaking.

How could we dare to treat as a foreign company a concern the bulk of whose capital is in the hands of our compatriots? ¹

¹ M. Henry Bérenger states, in his book, that nearly half the shares of the *Royal Dutch*, i.e., about 400 million francs, are in French

And if by chance the French Government decides to entrust to it the exploitation of our colonial oil, who would dare to protest? Is it not clear that the profits would return in the form of dividends to our small investors?

As for our bankers, it was not necessary to prove to them that the placing of shares in French oil companies without past, without experience, and for some years without profits, would be an extremely painful operation, whereas the issues in companies affiliated to a famous British trust with its capital counted in millions and its dividends at 35 per cent. would sell like hot cakes.

Instead of organising from beginning to end risky enterprises giving no immediate returns, they were offered rapid and numerous issues of shares, with a minimum of risk and effort. Could they hesitate?

And this is how financiers, stockbrokers, speculators and refiners came to agree on the acceptance of the British trust's domination.

III.—THE DIPLOMACY OF FUEL.

It remained only to convince the Government and the French Parliament, and to realise by a diplomatic agreement in due form this new manifestation of the *Entente Cordiale*. The political work was carried out at the same time as the financial manoeuvres, and Sir John Cadman and Lord Curzon proved themselves as skilful as Sir Marcus Samuel.

The question was to obtain authority from the Republic to exploit its oil wealth, by turning to account the superior equipment at their disposal, and by promising to reserve to it a right of preference over part of the British production. The better to disguise the British nature of the enterprise, it was the *Royal Dutch* under its Dutch name, *Koninklijke Nederlandsche Maatschappij*, which was chosen to make the proposal.

On 25th March, 1919, at the moment when at Versailles the economic clauses of the Treaty were being discussed,

hands. And this was written before the speculation boom of this summer [1920].

this company addressed to the Clemenceau Cabinet the following offer :—

The company declared itself "willing to co-operate with the plans of the French Government in whatever concerns the management and exploitation of the various oil interests which might be reserved to France as a consequence of the Peace Treaty." (This had special reference to the German concessions to be shared among the Allies.)

It offered in exchange "to reserve to France, by priority, a part of its oil production in such a way as to ensure the continuity of supplies for her *civil, military and maritime* needs." And the delegate of the *Royal Dutch*, enlarging on his proposition, concluded : "In brief, the *Koninklijke Nederlandsche Maatschappij* is ready to put at the disposition of France all its world-wide technical, industrial, commercial and financial organisation, not only in the countries referred to above, but also in all the other producing or consuming countries in which France might need its help, and in which the *Koninklijke Maatschappij* possesses direct industrial and financial interests."

It was, therefore, the whole of the French resources they had in mind.

M. Clemenceau welcomed this proposal. A preliminary agreement was concluded in 1919; but it was necessary to get it ratified by Parliament.

Our representatives are not usually very well informed upon great international affairs; the time they must waste in ministerial antechambers, on account of their constituents, does not give them either much chance to study them, or the necessary independence to judge them. Nevertheless, the project met with some resistance in committee. In particular, uneasiness was aroused at the idea of ceding our colonial oil fields to a British trust, at the very moment when we were so seriously short of fuel, and when the British Government in the course of every negotiation threatened to refuse us coal.

To calm these anxieties it was laid down that in all our colonies, protectorates and zones of influence, French interests should participate to the extent of at least two-thirds in the companies formed by the trust.

The Chambers were in this way persuaded—rather

naïvely perhaps—that the control of these enterprises would remain in French hands.

A last obstacle still remained. It could not be doubted that the United States, when they became acquainted with the project, would display a lively displeasure at an agreement which definitely excluded them from all the oil fields coming under French influence. Now our country is under no fewer obligations to America than to Britain ; our importers are constantly obliged to appeal to American credit ; and all the world knows that the German indemnity can be of very little use in relieving our budget unless it is capitalised by a great international loan, of which it is hoped that the United States will subscribe the greater part.

Were we not risking the alienation of an indispensable supporter ? In diplomatic circles some hesitation was manifested.

Mr. Lloyd George exerted himself to put an end to it. The Treaty of Versailles was worded in such a way that all the part of the booty which was immediately realisable was assigned to Britain, while France received advantages realisable in a more or less distant future. The British Foreign Office having taken the German Fleet and colonies had its hands free, while the Quai d'Orsay was still in need of its co-operation. Hence the incessant bargains in which we have been obliged each time to pay for British help : a percentage of the German indemnity, the price of coal from the Ruhr, etc.

The United States, through its own fault, remained outside the negotiations, and so left the field free for the British.

At San Remo, the destinies of Turkey were decided. France, to whom the Franco-British Agreement of 1916 had given a large sphere of influence from the Gulf of Alexandretta to Persia, found herself in a difficult position. Mustapha Kemal and the Turkish Nationalists had excluded her from Cilicia. The Emir Feisul was pushing the Senegalese battalions of General Gouraud towards the Syrian coast. This was a blow to our national prestige, all the more serious in that it meant that our financiers would lose control of the Beirut-Damascus and the Rayak-Aleppo railways, and the concessions as to ports

which they had obtained in the time of the Turks. The strangest part of it all—and everybody knew it—was that the power of Emir Feisul depended upon the arms, the money and the support of our good friends, the British. Then Lord Curzon said, "Sign the agreement with the *Royal Dutch*, and you shall have Syria." M. Millerand accepted. Immediately, Feisul was left to himself. Thus the triumphal entry of General Gouraud into Damascus was paid for by the abandonment of all our oil resources.

IV.—THE SAN REMO AGREEMENT.

This Agreement was published in *Le Temps* of 25th July.¹ A brief analysis, undertaken in the light of the facts which we have just exposed, will suffice to illustrate its general sense and scope.

To begin with, the first paragraph warns us that "this memorandum relates to the following States or countries: Rumania, Asia Minor, the territories of the old Russian Empire, Galicia, French colonies and British Crown colonies. The agreement may be extended to other countries by mutual consent."

It is, therefore, not only the oil fields of Mesopotamia which are abandoned to the British trust—as they would have had us believe in the Chamber since the noisy debate on Mosul—it is, in fact, the whole of our oil interests, present and future, whether in the colonies or abroad.

(a) Rumania is the country in which French interests are the most important. They will be increased still more by the spoils of the *Deutsche Bank* and the *Disconto-Gesellschaft*, whose oil concessions are to be shared among the Allies. It is agreed that for ex-enemy concessions, as for those which France will be able to obtain in the future from the Rumanian Government, Franco-British companies will be constituted, in which each of the two countries will have half the capital and half the votes on the board of directors.

This equality is not a favour, for the French capital invested in Rumanian oil is at least as important as that of Britain.

See complete text in the Appendix.

Furthermore, as the British trust, thanks to its personnel and to its special equipment, is alone in a position to begin exploitation, the part of our business men will be limited, as usual, to finding capital ; but, bound by the very nature of their companies, they will not be able to appeal to any other contractors than their British allies for the work of development. The Americans are thus rigidly excluded from that part of the Rumanian oil fields which may fall to the share of France ; and for Sir Marcus Samuel and his associates this is the essential point.

(b) In Russia, where French interests are much less important than those of our Allies, an equal distribution of votes and shares is not provided for ; this would have been to the advantage of our nationals. But it is stated that the two Governments will grant their " joint support " to those of their nationals who make " joint efforts " to obtain concessions, and to export and deliver oil. If, therefore, in all that vast field which constitutes the former Russian Empire, the French thought of associating themselves with Americans, our Government would be obliged to support their rivals.

(c) In Mesopotamia, the oil is to be exploited by a private company which " shall be under permanent British control " (and in which, consequently, America can have no part).

The French will be able to subscribe 25 per cent. of the capital plus $7\frac{1}{2}$ per cent. of the part reserved for the natives, say, a *third* of the total capital, under which condition they will have a right to a *quarter* of the oil produced, delivered at the same price as to other associates.

In exchange, our Government will authorise the *Anglo-Persian Oil Company* to establish, through our sphere of influence and in the ports of the Syrian coast, all the pipe lines, railways, reservoirs and refineries necessary to the work of development. It undertakes to place no transit or export dues upon this oil, and even the materials required in the constructive work will be exempt from all import duties and wayleaves. To put it in other words, we are treating the *Anglo-Persian Oil Company* as a privileged French concern, while at the same time undertaking the responsibility of guaranteeing, free of charge, the security of its enterprises in all our zone of influence. Obviously

the expenses of General Gouraud's army of occupation are not mere waste from everybody's point of view.

Up to the present, only oil fields in foreign countries have been considered. France can only obtain them by diplomatic pressure, and evidently they will be the objects of bargaining.

(d) But those which are in our own territories, in lands conquered with difficulty, at the cost of our blood and treasure, ought surely to be reserved for our nationals alone. They are, nevertheless, included in the bargain. And what a bargain!

"In the French colonies, protectorates, and zones of influence, including Algeria, Tunis and Morocco" (nothing is forgotten), the French Government will facilitate the acquisition of concessions to every *Franco-British* group "of good standing" and "furnishing the necessary guarantees." (Was it feared that an American group might camouflage itself as Franco-British?) To calm our uneasiness, we were reminded that the French Parliament requires, in all these combinations, that French interests shall be represented in the proportion of at least 67 per cent.

In return, the British Government will accord the same advantages to French prospectors who may wish to work within the British Empire. But this favour is limited to the Crown colonies, and within these "to the territories of the Crown";¹ and, further, "in so far as existing regulations allow"; and finally, "nothing in this agreement shall apply to concessions which may be the subject of negotiations initiated by French or British interests."

With such restrictions one wonders, indeed, what would remain to the French prospectors if any such existed! This clause has evidently only been inserted for the sake of symmetry, and to give an appearance of "cordial co-operation and reciprocity" to an agreement in which all the real advantages are on one side.

V.—AN INDUSTRIAL DEFEAT.

Henceforward, by this infernal compact, in every part of the globe, abroad or at home, in the present and the

¹ This phrase does not appear in the English text of the San Remo Agreement.—(*Translator's note.*)

future, France is tied to the British trust. If by chance one of our countrymen thought of working alone or with an American group, our Government would be compelled to refuse him support, if not actually to discourage him.

Nothing will be seen anywhere but Franco-British groups.

Within these, shall we be on equal terms? No. In actual fact, to have control of an affair it is not sufficient to hold a half, or even three-quarters, of the shares.

Indeed, everybody knows that the French shareholders are never present, even in France, at the general meetings held to decide on the appointment of directors; still less will they make the journey to London, which is practically always the headquarters. The British banks are skilled in the art of "syndicating" shares to ensure for themselves a majority in meetings.

But even if our banks could beat them at this game, they would not be any better off, for, whatever may be the number of shares, there is not, and there never will be, equality between these two partners. The French group will bring only capital. The British group will bring capital also, and, besides this, its equipment, its technical experts, and its business experience. What can a board of directors, even exclusively French, reply when the agents of the *Shell Transport* or of the *Royal Dutch* assure it that a certain oil field is not exploitable, or that its return will be very poor, or that the expenses of installation will be excessive? What means has it of controlling these forecasts when all the experiments, the borings, the materials, the managers and the technical agents belong to the British trust?

Technical equipment supported by capital must necessarily have the advantage over capital without technical equipment.

It is exactly on this point that our associates count, and it is because of this that they have wished to keep out the Americans.

We have handed over our colonies. Our Parliament believed itself very prudent when it insisted that there, at least, three quarters of the shares—and doubtless, also, of

the board, though the text does not say so explicitly—should be French.

But who can affirm that the one or more Franco-British groups referred to in the Agreement of 24th April will really exploit our colonial oil? The Anglo-Dutch trust, from now onwards, has its own immense concessions in all regions of the globe; among them there are much richer and better situated ones than ours, for instance, those in the neighbourhood of the Panama Canal. Is it likely that it will disperse its efforts and its equipment at the same time over all the oil fields of the world, and if not, why should ours have the priority? Let us not forget that if the trust has wished for a preferential right upon our oil fields, it is not to exploit them, but to prevent a rival from turning them to account. This Malthusian policy, which consists in obtaining concessions in order to prevent their development by others, we have seen practised in France itself by entirely French companies. Why should foreigners, even friends, behave more scrupulously towards us? Besides, honourable pretexts, technical or otherwise, would not be lacking. And if we find that the development of our wealth in Morocco, Algeria, etc. is too long delayed, what can we do about it, since we have no technical equipment, and we are prevented from applying to America?

We fall into the same trap as regards the price at which oil will be sold to us. For the oil from our colonies—if it is ever extracted—we shall pay the current market price, which is no favour. It will be the same with Mesopotamian oil, for which we have to pay also the expenses of a garrison, and of which the yield will be small for a long time, since we have a right to only a quarter of the amount produced.

No provision is made in the contract for Rumanian, Galician and Russian oil, exploited jointly; and above all, nothing is said about the price of the oil which is extracted and refined by the *Shell* and the *Royal Dutch* alone, which forms by far the greater part of our consumption—other oil being sold chiefly in the neighbouring countries of Central Europe.

Then who is to prevent the British trust from selling refined oil and mazut dearer to us than to the British? Plausible pretexts will not be lacking, notably that of

freightage, our special flotilla being inadequate, besides sailing under the British flag.

It is no use saying that this would be an unfriendly action of which our British allies are incapable. For it is exactly how they treat us as regards another fuel—coal.

The whole world knows that all varieties of British coal are sold at a higher price here than in Britain. It is not merely the result of a "combine" of greedy merchants, such as is everywhere to be found. It is the application of a far-reaching political plan. One of the principal war aims of Great Britain was to destroy the German metal industry, which was competing too successfully with Birmingham and Sheffield throughout the world. She has succeeded in stripping from her rival the rich deposits of Lorraine, and in attaching them to France. At a single stroke the latter has become the richest proprietor of ore in Europe.

Is it likely that Britain has ruined for twenty years her German competitor in order to allow another equally dangerous one to arise west of the Rhine? Fortunately, coke counts at least as much as iron in the cost of production of steel. It is necessary, therefore, that France should pay dearly for her coal; that is why British coal is sold to us at an augmented price; that, again, is why Mr. Lloyd George has insisted that we should pay five gold marks more for the Ruhr coal than its cost price. Henceforward, our metal industry must pay 200 francs a ton for the same coal which the British will get for 84 francs and the Germans for 72 francs. Any revival of French industry becomes impossible.

But oil will play, in future, and particularly in the future of mechanical engineering, a part practically equal to coal. It is, therefore, useful to be able to increase the price of oil also to foreigners if that becomes necessary, and this will be easily possible to the country which has control of the oil resources of France.

We have no right to blame British statesmen if they act and reason thus; they are playing their proper part.

But what shall we say of the French statesmen and business men who put them in a position to play this game with us?

VI.—AN INVESTORS' POLICY.

However, we must be fair. The San Remo Agreement brings us advantages too. From the moment when French interests are everywhere associated with those of Britain, and when mixed companies begin to exploit their common oil fields, shares will be issued simultaneously in London and Paris. This will be an opportunity for the bankers of lucrative commissions, for the stockbrokers of advantageous speculation.

Shares so attractive as those of the British trust, showing a dividend of 35 per cent., are easily sold, and certain to advance. All our middle classes will buy them eagerly. Do they not already hold a considerable part of the shares in the *Royal Dutch* and the *Shell Transport*? And if, by chance, the price of petrol rises in France, who will complain? The dearer oil and mazut become, the higher will be the dividends of the trust, and the richer the French shareholders.

No doubt, at this game, the export of large amounts of capital from France will continue, to the great harm of our exchange and our industries. But who among those in high places gives a thought to our workshops and our manufactures? Are we not, above all, a nation of investors, and is it not enough to consider "national thrift"? It is a pernicious and often denounced policy, which by the divorce of banking and industry, turns aside the nation's capital from national enterprise!

How can we expect the British not to take advantage of it, since by placing the shares of the trust in France, they give the French investor an interest in the weakening of French trade?

Let us not be indignant, nor cry "Machiavellism." We have understood this policy for a long time. It is the kind of association that the Germans formerly proposed to us in connection with their famous Bagdad railway. "You furnish the capital," they said, "and you will get the same dividends as we get ourselves; but our workshops alone will manufacture the materials, and the tariffs will favour our merchants." Thus Germany grew rich on the proceeds of French savings.

To-day, Germany is laid low, but the frame of mind of our rulers has not changed. They have always the same liking for commissions and dividends, the same fear of risk and effort; and finding no more "Boches" available to develop our resources, they hand them over to the British. Our friends and allies would be very foolish not to take advantage of it. At bottom, the fault is not with them; the evil is in us.

Since the death of the last follower of St. Simon, French business men seem to suffer from a paralysis of the will. In this important matter of oil they have followed the line of least resistance: an association of investors and men of action, in which the latter should have the work and the risks—and also the power,—the former a modest profit without trouble or exertion.

VII.—THE ELIMINATION OF THE *STANDARD OIL COMPANY*.

As soon as we had definitely thrown in our lot with Britain, it would perhaps have been loyal to inform the United States. Unfortunately, the avowal was difficult; for at the very moment when all our oil fields were being closed to them, our diplomatists were counting on their aid for the capitalisation of the German indemnity and the obtaining of credits for our devastated regions. It was therefore decided to keep the San Remo Agreement secret.

Meanwhile, the *Standard Oil Company* had no suspicions. Proud of having furnished the Allies during the War with 80 per cent. of the oil which saved our armies, knowing that new industrial conditions and the absence of Russian and Rumanian oil everywhere increased requirements, and believing that, as France more than other countries was in need of fuel, she would welcome American oil, this company organised itself to supply our market on a large scale. It counted on meeting with the devoted and grateful support of the French Government.

Disillusionment was not delayed.

The first essential for the replenishment of French supplies was to procure tank steamers, the little 5,000-ton tankers of the cartel being notoriously inadequate. Oppor-

tunely the German subsidiary of the *Standard Oil Company*, the *Deutsche-Amerikanische Petroleum* possessed a flotilla of modern boats. Britain naturally made haste to sequester them. On the morrow of the Armistice the *Standard Oil Company* asked for them to be returned, undertaking to put them at the disposal of French oil companies. To its great surprise, our Government supported it weakly. The British Foreign Office put up an energetic resistance. More than a year was lost in vain negotiations, and the ships were finally restored only a few months ago, when it was too late.

However, the *Standard Oil Company* did not lose confidence. It knew that the *Commissariat Général aux Pétroles et Combustibles* was to close down on 21st April, 1920. It was generally believed that the Government control over oil, exerted since 1918, would come to an end on that date, and that freedom would be restored to commerce.

In expectation of this event the *Standard Oil Company* constituted, on 1st April, a Franco-American subsidiary, with a capital of 25 million francs. This company at once made important contracts for mazut with several refineries and shipping companies. Its confidence was such that it bought for several millions a magnificent building in Paris to use as its headquarters.

The *Commissariat Général* was actually suppressed on 21st April, 1920. But on 24th April, M. Millerand signed at San Remo the agreement which handed over all French oil to the Anglo-Dutch Trust. Four days afterwards, 28th April, the French Government resumed control of oil, and the new Commissioner, assuming office immediately, refused to recognise the contracts arranged between the *Standard Oil Company* and its French customers.¹

This time the Americans were disturbed.

The *Standard Oil Company* sought the protection of its Government, and on 17th May, Mr. Wallace, the United

¹ To justify this attitude, a newspaper of the extreme Right stated that, on the morrow of the Armistice, the *Standard Oil Company* demanded payment in cash for its deliveries of oil, while the *Royal Dutch* generously offered the French Government long credits.

Parliament, no doubt, will want to know what these generous credits will cost us, when it comes to repaying them at the current

States Ambassador, transmitted officially to the French Government the complaints of his nationals.

He indicated all the obstacles placed by our administration in the way of the American firm's scheme for the construction of reservoirs ; he asserted that the British companies did not meet with the same difficulties ; he pointed out that, as France's need of mazut was ten times as great as the quantities supplied, for which reason many French factories were closing down for lack of fuel, there was room for British as well as American firms in our market ; and he therefore asked that they should be treated on an equal footing.

The new Commissioner, M. Laurent Eynac, replied ambiguously, without mentioning the agreement which bound us to Britain, putting all the blame on the necessary slowness of official inquiries—the same for everybody.

But a few days afterwards, on 25th May, a summary, in some respects inadequate, of the San Remo Agreement was published in *Le Temps*.

The Americans then began to understand that an attempt was being made to eliminate them from the French market. What was the Government at Washington going to do about it? Without anger, it again tried conciliatory measures.

On 26th June, the Constituent Assembly of the International Chamber of Commerce met at Paris. A hundred and forty delegates from the American Chambers of Commerce met their French, British, Belgian and Italian colleagues. Mr. Thomas A. O'Donnell, President of the *American Petroleum Institute*, presented his country's official thesis. It has already been seen that the British and French delegations set it aside.

value of the florin (fr. 4.79 instead of fr. 2.31 at the end of November, 1918).

It would be absurd to believe that one of these great trusts is more disinterested than the other.

As far as we are concerned, we have no need to take sides in this quarrel. We believe simply that, since there is rivalry between the two groups, the obvious interest of France is to leave the field open for their competition, so as to have oil cheaply and in abundance ; then when our immediate needs are thus provided for, we should profit by it to create an independent oil industry in France as quickly as possible.

However, after laborious discussions at Hythe, Boulogne, and other places, the Allied Governments succeeded in reaching an agreement as to their respective shares in the German indemnity. This done, it was only necessary to fix the amount of the annual payments to be made by the conquered nation, then to arrange a great international loan, which, by capitalising these annuities, would allow each of the beneficiaries—and France in particular—to collect at once the millions necessary for its work of reconstruction. But for this the co-operation of American capital was essential.

Did the United States allow it to be understood that owing to the condition of their money market, embarrassed by the loan to the Allies of 3,000 million sterling, during and since the War, it was impossible for them to participate at that moment in an operation of this magnitude? Probably. The fact is that the great International Conference specially convened for this object at Brussels was adjourned *sine die*.¹

After this, no doubt it seemed to our diplomatists that there was nothing more to trouble about. On 25th July, the official text of the San Remo Agreement was published by *Le Temps*. . . .

The die was cast. All the oil reserves of France, whether in her colonies or abroad, were handed over to Britain.

¹ It was held at the beginning of October, 1920. The "unofficial" delegate of the American Government declared that his country would not participate in any international loan designed to capitalise the German indemnity, and the solution was abandoned.

CONCLUSION

I.—IMMEDIATE DANGERS.

LET us survey rapidly the bearing and the consequences of this event. If the San Remo Agreement is maintained—

(a) France will have no oil industry. In its place we shall continue to enjoy a cartel of ten so-called "refiners," simple brokers who will buy oil already refined, mazut and lubricating oils from the Anglo-Dutch trust, and will sell to French consumers at a profit, all the greater in that they enjoy an absolute monopoly, protected by a high customs tariff.

(b) The engineering industry will lose, for this reason, an unprecedented chance of development. Indeed, all the conduits, pumps, pipe lines, and reservoirs—even for use in our colonies—will be bought and installed by the British trust, which will naturally place its orders in Britain.

(c) All our industries using petroleum or mazut—and they will be more and more numerous, railways, ships, factories with the Diesel engines—will pay dearer for their fuel. Hence, our manufacturers, already suffering through the high price of coal, will be at the same disadvantage as regards liquid fuel. It is impossible for us to compete, not only with Britain, but with Germany. Our chances of development offered by the Treaty of Versailles will be greatly diminished.

So much for the economic consequences of the Agreement of 24th April.

But it may have graver effects upon our foreign policy, and even on our safety.

Its principal object is to close to the United States oil resources necessary to their development. It is the completion of a kind of industrial "ring." But we may well believe that the Americans will not submit to this treatment

without vigorous resistance. The tone of Franklin K. Lane's recent speech shows it plainly enough. Now they hold, as regards ourselves, powerful means of exerting pressure.

First, coal. In a statement to the Chamber, M. Millerand declared that in addition to deliveries from Britain, he counted on 400,000 tons a month of American coal. The Pennsylvanians may refuse us this, the more readily because at this very moment the workshops of New England are short of fuel.

Then, commercial credits. Our importers, unable to procure enough dollars to pay for all their purchases from the United States, see the greater number of their bills discounted by the American banks. If the banks refuse to continue, our supplies of corn, meat, sugar, and boots will be seriously compromised.

Next, there are the credits for reconstruction. To balance our budget and restore our devastated territories, it is absolutely and urgently necessary to capitalise the annual payments of the German indemnity. And this operation has no chance of succeeding except by means of an international loan, of which the American people will contribute the greater portion. This latter hope is now almost certain to be disappointed.

Finally, there are the State loans. During and since the War the American Treasury has lent us about 13,000 million gold francs (more than 30,000 millions at the present rate of exchange). For three-quarters of this sum no date of repayment has been fixed. Were the Washington Government to exact the immediate repayment of one-fourth only, it would be enough to send the value of our franc down to the level of the German mark, even of the Austrian crown, in every exchange in the world.

These are facts which we must look steadily in the face. Up to now our diplomats have chiefly appealed to sentiment. Invoking with tearful voice our million and a half of dead, and our devastated country, they have done little more than hold out to the Americans the beggar's cap, beseeching them to drop into it an alms of a few thousands million francs. But though they beg with importunity, they refuse the little that is asked of them in return. We

do too much honour to the spirit of abnegation of our friends, and of this they have made it plain that they are aware.

Unfortunately, their business men, though they can be generous on occasion, are neither saints nor imbeciles. They are not disposed to deprive their industries of much-needed capital in order to lend to a nation which refuses them access to the few useful resources it possesses, and which it gives generously to their competitors.

II.—DISTANT DANGERS.

There is another more serious, if more distant danger, which, fortunately, it may still be possible to avoid. It is clear to any one who calmly considers the facts of the case, undisguised by the courtesies of official terminology, that the economic struggle between Britain and the United States has now begun.

By deliberately throwing in our lot with the former, are we not driving America to seek an eventual alliance with Germany?

On the morrow of the day on which our Commissioner for Oil, M. Laurent Eynac, delivered the reply mentioned above to the American Ambassador, the *Standard Oil Company* re-opened commercial relations with its former German subsidiary. Besides, it is known that the *United States Shipping Board* has concluded an agreement with the *Hamburg-America Line*, and that large amounts of American capital are now invested in enterprises beyond the Rhine.

At Berlin this movement is encouraged by every possible means. The Germans are turning to account the mistake of France, who, by alienating such help from herself, gives them a hope of revenge.

Of course, it is not only the question of petroleum which has brought the American people to this state of mind. Those who allow themselves to be led astray on one such important matter may be led astray on another. The most serious thing about the Agreement of 24th April is that it shows a tendency on the part of French leaders to fall into the British orbit. Now this may carry us too far. Let us beware of the role of "brilliant second." Experience has

proved that in victory or defeat, for Austria as for ourselves, it is a martyr's part.

The men who set us upon this path, whether through idleness or inertia, in the simple object of gaining dividends for themselves without building up industries, run the risk of compromising not only the special interests of the nation, dear to patriots, but at the same time the cause of universal peace, dear to internationalists.

But we may ask what is to be done. For, indeed, the situation seems to be one of peculiar delicacy. If by forming close relations with Britain we run the risk of embroiling ourselves with America, do we not also risk the enmity of Britain by forming relations with the United States? Whichever course we choose, the danger is equal.

Well, we need only refrain from making a choice. First, let us note that the Americans claim no exclusive advantages. Certain for many years to come of being the greatest petroleum producers in the world, but knowing that their consumption increases even more rapidly than their production, they desire freedom of access to those of the world's oil fields which remain still undeveloped. But if they do not wish the door to be closed to them, they have no intention of closing it to others. What they demand is equal treatment for all. "Leave the field free to the prospectors and financiers of the *Shell—Royal Dutch* group," they say, "but give the same opportunities also to those of the *Standard Oil*. And whoever may be the discoverer of an oil field, let him have the concession on the same terms as his competitor."

And if it suits us to develop our own petroleum deposits, the Americans have no objection. They are quite ready to lend us their plant, but they do not forbid us to make use of that of their rivals. Theirs is a liberal policy; it is that of *fair play*.

This is for us a great advantage, for the Anglo-Dutch trust has now acquired so many reserves throughout the world that it cannot dream of developing them all. If it seeks concessions everywhere, it is less to exploit them than to keep out its competitors. We have no guarantee that it will begin with our own. Rather, the very conditions which Parliament has imposed in the interests of

our supplies and of our money market will drive it to make first use of foreign concessions which are not encumbered with similar conditions. The United States, on the contrary, are in urgent need of increasing their production. If, therefore, they obtain from us oil fields in Algeria or Morocco or Madagascar, there is a good chance of their being developed without delay. In particular, it is by American co-operation that we may best hope for a rapid development of our colonial wealth.

But if we show any signs of an understanding with America will not Britain immediately cut off supplies? However diligent our industrialists may be, it will be years before our colonies are in a position adequately to supply the French market; and the *Shell—Royal Dutch* can stop deliveries at once, leaving our lorries without petrol and our industries without fuel oil.

The threat has been made. It would be formidable if no other means of supply existed. But the *Standard Oil Company* is ready to provide us immediately with sufficient for our needs. Witness its affiliated company floated at Paris on 1st April, 1920, with a capital of 25 million francs, and the contracts it made on that date with our "refiners."

But this would be to substitute an American monopoly for the British monopoly!

We need not be afraid. The French market is much too important for the *Shell—Royal Dutch* to abandon it in pique to its rival. On the very day on which the *Standard Oil Company* receives permission to sell petroleum and mazut in our markets, the Anglo-Dutch trust will solicit orders, offering a lower price.

Do not object that Britain has other means of pressure than blackmailing us about fuel oil. We are, of course, dependent on her for coal—and she lets us know it—and also for shipping and credits. But there is not one of these advantages that America could not equally supply; in fact, we can add to them corn, cotton and meat, which Great Britain cannot give us. And if American freights are still high, in a few years' time, when the American merchant marine has outstripped in tonnage that of Britain, no doubt the advantage in prices will be with the former.

In all security, we can henceforward substitute free competition for the always burdensome regime of the single provider. The *Standard Oil* and the *Shell—Royal Dutch* companies will rival each other in offering us the lowest prices. And our industries, sure of cheap and ample supplies of fuel, will be able to modernise at their convenience their methods of obtaining power, and should develop rapidly.

Then, at peace as regards the present, we may turn our eyes towards the future. It is not good that a great country like France should be absolutely dependent upon other countries for one of the first essentials of her existence. It exposes her to too much pressure and too much bargaining, the danger of which has been proved by the recent diplomatic negotiations.

While our Government grants concessions impartially to the British as to the Americans, it might well reserve some few of the richest and the best situated for our own nationals.

True, we have not as yet the prospectors and the necessary plant ; but as soon as our immediate needs are assured, thanks to free competition, we shall have ample leisure to train technical experts.

Already there is talk of instituting special courses at the University of Strasbourg, situated near to the petroleum deposits of Pechelbronn. Moreover, our engineering industry has plenty of time to organise the manufacture of pipes, centrifugal pumps, storage tanks, tank wagons, etc. Thus, if she takes the trouble, France may have, within ten years, an oil industry of her own, ensuring her plentiful supplies from oil fields in her own territories, exploited by French companies with materials manufactured in France ; and so she may win autonomy for herself in a matter of vital importance.

There is nothing Utopian about this policy. It was outlined on the very morrow of the Armistice by the official Commissioner-General, M. Henry Bérenger, at a time when the secret warfare of the two trusts had not recommenced. It is the only policy which will ensure at one and the same time the rapid development of our colonial petroleum, immediate and cheap supplies for our industries, the

independence of our country and the maintenance, by a wise balance, of our alliances and our friendships.¹

III.—AN ARISTOCRACY OF PRODUCERS OR AN OLIGARCHY OF PROFITEERS.

To accomplish this we must work, act, take risks. And that is precisely the difficulty in the present state of French society. The obstacle is not of a material kind—we have all the capital and the talent necessary; it is, rather, psychological and social.

A nation makes a figure in the world not only according to its latent qualities, its energy and the culture of its people, but according to the spirit which animates its leaders.

The extraordinary complexity of the economic foundations and the extreme specialisation of modern society are such that only a very few men are capable of grasping the conditions of national life in their entirety. These men, in consequence, have great power and freedom from control. The sovereignty of peoples is everywhere nothing but a solemn fiction. The American Federation is no more a real democracy than the French Republic or the British Monarchy. A few closely-related groups of men—industrialists, bankers, armament makers, politicians—alone direct the enormous machine of State, as the captain on board controls a ship. The path they choose depends upon the views they hold of their proper part and of their relation to the country they control. In this respect we notice a striking contrast between the British ruling class and the French *bourgeoisie*.

Ten years ago France and Great Britain were in exactly the same position as regards petroleum. Each had a few millions invested in distant enterprises; neither had any control over an indispensable fuel. Suddenly it was noticed that a technical invention, the introduction of oil

¹ At the moment of correcting the proofs of this book (17th October, 1920), there is announced in the press the creation of a great petroleum company: *The Standard Franco-Américaine*, President, M. Jules Cambon, French Ambassador; Vice-President, Mr. Bedford, President of the *Standard Oil Company*.

fuel into the furnaces of ships, was about to give the United States the power to make all other nations its tributaries. At once a few British business men, technical experts and diplomatists joined forces. They decided to wrest from America the mastery of this new force. They laid their plans in silence, and followed them for years with determination ; they sank millions of money, carried on intrigue in every corner of the world ; they fomented revolutions and accumulated on their own shoulders responsibilities, risks, expenses.

Why ? To gain money or honours ? No ! Sir Marcus Samuel and Lord Cowdray count their wealth in millions ; Lord Curzon is at the height of his diplomatic career ; Sir John Cadman still remains a university professor.

But in Britain, as in America, there is a tradition that a successful business man has obligations towards the society in which he has amassed his millions. He must make a personal contribution to its greatness. He is no longer the simple passenger who is guaranteed a comfortable berth in the great ship. He must take his share of responsibility for the progress and the direction of the vessel. If he neglects this duty, he is looked upon by his equals as an inferior person, a man lacking in energy and principle ; he feels himself ostracised.

The Empire is an undertaking whose prosperity and development he wishes to ensure, even though he reaps no personal benefit therefrom. Beyond a certain degree of wealth money is for him not an end, but a means. He feels himself a part of everlasting Britain ; he sets himself a task which is almost beyond his strength. That is the basic principle of all greatness.

It is to this tradition that Britain owes her great leaders ; it is these leaders who have created her world-wide Empire and who, under our astonished eyes, have just made possible for her so prodigious a development.

Very probably the Lord Cowdrays and Lord Curzons are not animated by love of humanity, or even by love of country. These same leaders who hazard their repose or their fortunes for an impersonal dream of greatness are capable of allowing the men who drive their machines or navigate their ships to rot of tuberculosis or alcoholism

in the slums of Liverpool and Glasgow. Their liberal convictions, if they have any, are satisfied by a show of words and pious speeches. Of the booty gained in their exploitations all over the world, they grant to their workmen no more than the latter can drag from them. To ensure success to their vast designs they are capable of fomenting revolutions in Mexico or sowing civil war in Asia ; to crush a competitor they are willing to set fire to Europe and the world. From this point of view their imperialism is a universal danger. But since it is neither cowardly nor purely egotistic, it does not lack a certain greatness. And though their efforts may cause widespread harm, they do, at least, tend to develop to the utmost an economic equipment which may be turned one day to the profit of the masses of mankind, and which will then be a powerful instrument of well-being and of civilisation.

The French business man does not understand this kind of idealism. As soon as he has reached a position of sufficient importance in his own industry, he has only one pre-occupation : to come to an understanding with his colleagues in order to put an end to all competition in the home market (that is the only kind of association he is able to conceive), then to obtain from the Government a protective tariff so that he may be free of all foreign competition. After this, having abolished risk, he ceases from effort. Every opportunity of extending his business which has the least element of adventure seems to him an unnecessary risk ; every effort towards technical improvement seems to threaten his security. His maxim is to produce little in order to sell dear. It is enough for him to exploit the national consumer who is delivered over to him by his parliamentary accomplices. What does he care if France, as a result, grows weak and exhausted, if her industries are jeopardised and the cost of living increases, if all fruitful labour grows daily more difficult and the nation slowly sinks in the midst of more vigorous neighbours ? It is not his concern.

At the bottom of his heart he believes that the proper function of the country is to defend his capital. He has no idea that his capital may have duties towards the country.

At the head of an enterprise or of a joint-stock company, he recognises obligations to none save his shareholders and associates. As for the general interest of the country, that is the business of Parliament, the Government, the bureaucracy—all of which, moreover, he endeavours to corrupt by the thousand means in his power.

The motto of the old aristocrats, "*Noblesse oblige*," does not exist for him. Neither has it occurred to any one of us that "*Richesse oblige*." While even the hardened American capitalists, the Rockefellers and the Carnegies, spend their millions, more or less usefully, in works of education, hygiene, charity, showing thereby that they recognise duties to society, our business men content themselves with donations to the press or to party funds with the object of consolidating their own privileges.

For them money is an end, not a means. They spend it in a vain and graceless luxury. They busy themselves in selfish pleasures; they think of nothing but increasing those millions which condemn their descendants, for lack of incentive to effort, to a fatal stultification.

Now this "ignoble wealth," as Roosevelt called it, brings them universal consideration. This is the great misfortune of our democracy. In Britain, or America, a very rich man who did nothing at all for the good of his country would be despised by his peers. And this fact alone, apart from any personal idealism, compels him to action. In France, a millionaire who devoted himself to some unselfish work would be considered, in his own circles, as a fool or a madman.

There are some who think that this absence of ambition in our upper classes saves us, at least, from the dangers of imperialism, and that their very idleness is a pledge of security. Unfortunately, it is an illusion. When a country is dependent upon its neighbours for an essential raw material it is no longer master of its own destiny. The weak are dragged, willy-nilly, into the battle of the strong, receiving more than their share of blows, less than their share of booty. For in the day of triumph the conquerors share the plunder, not according to admitted sacrifices, but according to the resultant power that each can wield. This is the lesson taught only too clearly by our recent victory.

To work, to act, to dare, is still the best way for nations, as for individuals, to win independence, security and the respect of others.

Our people, who have developed such qualities of energy, endurance and courage during the War, lack only worthy leaders.

If such leaders are not forthcoming, the glory of our artists and men of science, the superiority of our artisans, our culture and our national genius will be no more than a splendid sunset heralding the slow twilight of decadence.

SAMOIS-SUR-SEINE,

July—August, 1920.

APPENDIX

I

NOTE FROM M. CLEMENCEAU TO PRESIDENT WILSON.

PARIS,
15th December, 1917.

AT the decisive moment of this War, when the year 1918 will see military operations of the first importance begun on the French front, the French army must not be exposed for a single moment to a scarcity of the petrol necessary for its motor lorries, aeroplanes, and the transport of its artillery.

A failure in the supply of petrol would cause the immediate paralysis of our armies, and might compel us to a peace unfavourable to the Allies.

Now, the minimum stock of petrol computed for the French armies by their Commander-in-Chief must be 44,000 tons, and the monthly consumption is 30,000 tons.

This indispensable stock has fallen to-day to 28,000 tons, and threatens to fall almost to nothing if immediate and exceptional measures are not undertaken and carried out by the United States.

These measures must be undertaken without a day's delay for the common safety of the Allies, the essential condition being that President Wilson shall obtain permanently from American oil companies tank steamers with a *supplementary tonnage of 100,000 tons*. This is essential for the French army and population.

These tank steamers exist. They are sailing at this moment in the *Pacific instead of the Atlantic Ocean*. Some of them may be obtained from the fleet of new tankers under construction in the United States.

President Clemenceau personally requests President Wilson to give the necessary Government authority *for the immediate despatch to French ports of these tank steamers*.

The safety of the Allied nations is in the balance.

If the Allies do not wish to lose the War, then, at the moment of the great German offensive, they must not let France lack the petrol which is as necessary as blood in the battles of to-morrow. .

(Signed) G. CLEMENCEAU.

II

LORD CURZON'S SPEECH.¹

ON Thursday evening, 21st November, 1918, the members of the Inter-Allied Petroleum Council were entertained by the Government to dinner at Lancaster House, when Earl Curzon of Kedleston presided over a distinguished company, including the Right Honourable Walter Long, M.P., Secretary of State for the Colonies, who is also Petroleum Minister.

In proposing the toast, "The French, Italian and American Delegates of the Inter-Allied Petroleum Council," Lord Curzon said that the War in which we had been engaged during the last four years had been brought to a triumphant close, and they were that evening to signalise the record of one of its greatest triumphs.

OIL'S GREAT PART IN THE WAR.

The War had involved the treatment of many problems which never before came to the notice of the Government. They had had to handle many problems and exercise in a very stringent manner the powers of the State and State control of many essential products of the national life. Among the most important national and international products which the Government had had to take in hand had been oil. Even before the War, oil was regarded as one of the most important national industries and assets. It was being increasingly used for economical and transport purposes; but with the commencement of the War oil and its products began to rank as among the principal agents by which they would conduct and by which they could win it. The War had brought about co-operation, not merely between interests and industries of the utmost importance in this country, but between ourselves and our Allies, which had been most helpful, and which every one hoped would continue for many years to come.

¹ The translator desires to acknowledge the courtesy of Lord Curzon in supplying the text of his speech which is given here.

SOME USES OF OIL.

Without oil how could they have procured the mobility of the Fleet, the transport of their troops, or the manufacture of several explosives? How could they have carried out the necessary transport of men and ammunition to the various theatres of war?

"TO VICTORY ON A WAVE OF OIL."

All products of oil fuel, gas oil, aviation spirit, motor transport spirit, lubricating oil, etc., played an equally important part in the War; in fact, he might say the Allies floated to victory on a wave of oil. The Government had had to regulate the sources of supply in various parts of the world; they had had to maintain stocks of oil, and provide for their fair and equitable distribution; and they had had to arrange for its storage and transport in oil tankers and pipe lines. One of the most recent achievements in the latter respect was the construction of an oil pipe line between the Firth of Forth and the Clyde.

ARMY OF MOTOR LORRIES.

Any one who had been to the front could not but have been struck with the vitally important part which oil had played in the War, and one of the most astonishing things one saw in France and Flanders was the tremendous army of motor lorries, which formed part of the great organisation necessary for the conduct of the War. It was, indeed, safe to say that without oil our armies could not have conducted the campaign to a successful issue. The work of organisation in that respect had truly been a gigantic task. During the last eighteen months the Inter-Allied Council had dealt with between 12,000,000 and 13,000,000 tons of oil—a great work and a great achievement. One day, no doubt, the history of that great work would be written; but at present he wished to call attention to two phases of it with which they had had particularly to deal in this country.

A GRAVE PROBLEM SOLVED.

Soon after Mr. Lloyd George's Government came into power in December, 1916, they realised that the question of petroleum was causing great anxiety, and it was then that the Prime Minister requested Mr. Walter Long to take charge of the matter, which included supply, distribution, consump-

tion, etc., of all petroleum products. That was in May, 1917, and speaking as a Cabinet Minister, he could say with satisfaction that from that date the Cabinet had not again been troubled with the problem. (*Hear, hear.*)

THE PETROLEUM EXECUTIVE.

Mr. Long at once recognised that if effective control regarding oil matters was to be established, machinery would have to be instituted which would enable the various departments to act with rapidity and with full knowledge. He therefore set up a small executive committee with Professor (now Sir John) Cadman as Director. Professor Cadman was a gentleman well qualified for that responsible position, and—as head of the University of Birmingham—he felt bound to say that he (Lord Curzon) regarded professors with a respect which was not universally entertained. (*Laughter.*)

Professor Cadman had been a technical adviser for many years. He was Professor at the Birmingham University, and he had made the personal acquaintance of the principal oil fields of the world. The functions of that executive committee were to co-ordinate the work of the Government departments; to collect information as to the requirements and stocks of all petroleum products; to keep in due bounds the consumption of all petroleum products; and to stimulate economy in their use.

FLEET'S SERIOUS DANGER.

At that date all these petroleum products were in great demand, and sufficient supplies were not available. Indeed, so depleted were the stocks of naval fuel oil that the Fleet had to restrict its exercises and was becoming seriously handicapped in its duties. The total stocks of oil in the country amounted at that time to only 900,000 tons, and it was considered that the absolute minimum for safety was 1,500,000. After seventeen months of strenuous work, in which all departments of the State admirably co-operated, the stocks of oil were raised to 1,800,000 tons, and on the cessation of hostilities, in spite of the severe inroads which had been made upon oil-carrying ships, and of the ever-increasing consumption, the provision was satisfactory.

ADMIRALTY'S VALUABLE WORK.

At the Admiralty most valuable work was done by the Fourth Sea Lord, Admiral Sir Hugh Tothill, and the Director of Stores, Mr. Ashdown, whose successful efforts to provide for

the constantly growing needs of the Fleet should be greatly remembered. The Ministry of Shipping, under the guidance of Sir Joseph Maclay, ably assisted by Mr. Kembell Cook, was mainly responsible for the transport of overseas supplies.

At a time when oil-carrying vessels were being destroyed in increasing numbers the idea was conceived of carrying oil in the double bottoms of the ordinary cargo steamers, and that enabled over 1,000,000 tons of fuel oil to be transported by this means in fifteen months.

HOME SUPPLIES QUADRUPLLED.

The Ministry of Munitions undertook the responsible duty of supplementing the supplies of oil from home resources. In spite of adverse criticism regarding its policy, with the help of Sir Arthur Churchman, it increased home supplies from 12,000 tons to 50,000 tons per month. That was done by substituting tar oil products for imported fuel oil, and by stimulating the production of Scottish shale oils, and oils manufactured at gasworks by a new process, which was likely to prove of permanent value.

ECONOMY IN CIVILIAN USE OF PETROL.

The civil consumption of oil had been regulated by the Board of Trade. It became necessary to control the distribution of oil in this country; and in order to save man power and to establish uniform distribution a Pool Board of the distributing oil companies was constituted under the chairmanship of Sir Walter Egerton, whereby the trade rivalry of peace times was converted into a solid organisation, which had worked loyally and efficiently and had achieved important economies. The companies concerned showed a national spirit, which, he was sure, the Government and the public gratefully acknowledged. One of the most difficult questions was to secure the use of petrol for essential civilian purposes, and that task was placed in the hands of Sir Evan Jones, as head of the Petrol Control Department. By means of a system of licences 23,000 tons of motor spirit per month had been liberated—a quantity equal to the amount used by the British armies in France during the greater part of the War.

INTER-ALLIED CO-OPERATION.

But the difficulties which had to be overcome in this country were also being encountered in the Allied countries, and it soon became necessary for all the Allies to consult together and agree on a common policy. With that object in view, the

Inter-Allied Petroleum Council was constituted. For their help in the formation of the Council and in its subsequent deliberations they were greatly indebted to Senator Béranger (Commissioner-General for Petroleum in France), and to the Marquis de Chasseloup-Laubat, and to Lieutenant Bénard, who had been untiring in their work for France and for the Allied cause. France was very happy in possessing one of the ability and personality of Senator Béranger, in whose care she could, with such complete confidence, place all questions relating to petroleum and its products. The Italian delegates had co-operated with great cordiality, and Professor Attolico and Lieutenant Farina had given most valuable assistance.

U.S. CONTRIBUTES OVER 80 PER CENT. OF REQUIREMENTS.

As in the case of many other commodities, the U.S. had been their one great source of supply, providing over 80 per cent. of the Allied requirements of petroleum products. For their work in making those vast quantities available for naval and military needs and in assisting in its transport to Europe, their warmest thanks were due to Mr. Requa, head of the Oil Division of the U.S. Government, to Mr. Hurley, Chief of the Shipping Board, and to Mr. L. I. Thomas and Captain Foley, the U.S. representatives at the Petroleum Conference. They had played a notable part in maintaining supplies, which, as the War progressed, became more and more vital.

When the Inter-Allied Council commenced its work the petroleum situation was critical, but by laying down a definite policy, by rationing each country, and by the maintenance of continuous touch through the Programme Committee, the stocks in all Allied countries had reached a point of absolute safety at the signing of the Armistice—a position which reflected the greatest possible credit upon all the members of the Council, and which could not have been accomplished without such an organisation.

It was not generally known how far-reaching had been the operations of that Council; but it should be realised that in every corner of the world in which petroleum was used the deliberations of that body had regulated the supply, and in spite of the great difficulties of providing the huge quantities involved, no serious inconvenience had been experienced by users of petroleum for essential purposes. (*Hear, hear.*)

PATRIOTISM OF THE OIL COMPANIES.

A brief review of the history of petroleum during the War would be incomplete without a reference to the great oil

companies who had subordinated their own interests to the Allied cause. Special thanks were due to the Standard Oil and other great oil companies in the United States, to the Royal Dutch-Shell Combine, to the Anglo-Persian Oil Company, and to the Anglo-Mexican Petroleum Company. The result had been one great triumph of the War, due to excellent organisation, patriotic spirit and the good feeling which had existed among the whole of the Allies.

TRIBUTES TO MR. LONG AND TO SIR JOHN CADMAN.

In conclusion, Earl Curzon paid a tribute to Mr. Walter Long, whose business capacity and faculty of leading men had enabled him to do in this country what probably no other man could have accomplished. Sir John Cadman had also rendered an enormous service to his country; he had been most unfairly attacked and traduced; yet he had never lost the confidence of his chief, but had earned the gratitude of all with whom he had come into contact. To all he had mentioned, and to many others, he could say, "We anoint them with the oil of gladness." (*Applause.*)

III

THE ANGLO-FRENCH OIL AGREEMENT.

THE following is the complete text¹ of the agreement on the subject of oil supplies, signed at San Remo on 24th April, 1920:—

By order of the two Governments of France and Great Britain, the undersigned representatives have resumed, by mutual consent, the consideration of an agreement regarding petroleum.

2. This agreement is based on the principles of cordial co-operation and reciprocity in those countries where the oil interests of the two nations can be usefully united. This memorandum relates to the following States or countries: Rumania, Asia Minor, territories of the old Russian Empire, Galicia, French Colonies and British Crown Colonies.

3. The agreement may be extended to other countries by mutual consent.

4. *Rumania*.—The British and French Governments shall

¹ Miscellaneous, No. 11 (1920). Cmd. 675.

support their respective nationals in any common negotiations to be entered into with the Government of Rumania for—

(a) The acquisition of oil concessions, shares or other interests belonging to former enemy subjects or bodies in Rumania which have been sequestrated, *e.g.*, the Steaua Romana, Concordia, Vega, etc., which constituted in that country the oil groups of the Deutsche Bank and the Disconto Gesellschaft, together with any other interests that may be obtainable.

(b) Concessions over oil lands belonging to the Rumanian State.

5. All shares belonging to former enemy concessions which can be secured and all other advantages derived from these negotiations shall be divided, 50 per cent. to British interests and 50 per cent. to French interests. It is understood that in the company or companies to be formed to undertake the management and the exploitation of the said shares, concessions, and other advantages, the two countries shall have the same proportion of 50 per cent. in all capital subscribed, as well as in representatives on the board, and voting power.

6. *Territories of the late Russian Empire.*—In the territories which belonged to the late Russian Empire, the two Governments will give their joint support to their respective nationals in their joint efforts to obtain petroleum concessions and facilities to export, and to arrange delivery of petroleum supplies.

7. *Mesopotamia.*—The British Government undertake to grant to the French Government or its nominee 25 per cent. of the net output of crude oil at current market rates which His Majesty's Government may secure from the Mesopotamian oil fields, in the event of their being developed by Government action; or in the event of a private petroleum company being used to develop the Mesopotamian oil fields, the British Government will place at the disposal of the French Government a share of 25 per cent. in such company. The price to be paid for such participation to be no more than that paid by any of the other participants to the said petroleum company. It is also understood that the said petroleum company shall be under permanent British control.

8. It is agreed that, should the private petroleum company be constituted as aforesaid, the native Government or other native interests shall be allowed, if they so desire, to participate up to a maximum of 20 per cent. of the share capital of the said company. The French shall contribute one-half of the first 10 per cent. of such native participation and the additional participation shall be provided by each participant in proportion to his holdings.

9. The British Government agree to support arrangements

by which the French Government may procure from the Anglo-Persian Company supplies of oil, which may be piped from Persia to the Mediterranean through any pipe line which may have been constructed within the French mandated territory and in regard to which France has given special facilities, up to the extent of 25 per cent. of the oil so piped, on such terms and conditions as may be mutually agreed between the French Government and the Anglo-Persian Company.

10. In consideration of the above-mentioned arrangements the French Government shall agree, if it is desired and as soon as application is made, to the construction of two separate pipe lines and railways necessary for their construction and maintenance and for the transport of oil from Mesopotamia and Persia through French spheres of influence to a port or ports on the Eastern Mediterranean. The port or ports shall be chosen in agreement between the two Governments.

11. Should such pipe line and railways cross territory within a French sphere of influence, France undertakes to give every facility for the rights of crossing without any royalty or wayleaves on the oil transported. Nevertheless, compensation shall be payable to the land owners for the surface occupied.

12. In the same way France will give facilities at the terminal port for the acquisition of the land necessary for the erection of depots, railways, refineries, loading wharfs, etc. Oil thus exported shall be exempt from export and transit dues. The material necessary for the construction of the pipe lines, railways, refineries, and other equipment shall also be free from import duties and wayleaves.

13. Should the said petroleum company desire to lay a pipe line and a railway to the Persian Gulf, the British Government will use its good offices to secure similar facilities for that purpose.

14. *North Africa and other Colonies.*—The French Government will give facilities to any Franco-British group or groups of good standing, which furnish the necessary guarantees and comply with French laws, for the acquisition of oil concessions in the French colonies, protectorates and zones of influence, including Algeria, Tunis and Morocco. It should be noted that the French Parliament has resolved that groups so formed must contain at least 67 per cent. French interests.

15. The French Government will facilitate the granting of any concessions in Algeria which are now under consideration as soon as the applicants have complied with all the requirements of the French laws.

16. *British Crown Colonies.*—In so far as existing regulations allow, the British Government will give to French subjects

who may wish to prospect and exploit petroliferous lands in the Crown Colonies similar advantages to those which France is granting to British subjects in the French colonies.

17. Nothing in this agreement shall apply to concessions which may be the subject of negotiations initiated by French or British interests.

18. This agreement has to-day been initialled by M. Philippe Berthelot and Professor Sir John Cadman, subject to confirmation by the French and British Prime Ministers respectively.

J. CADMAN.
P. BERTHELOT.

San Remo, 24th April, 1920.
Confirmed :

D. LLOYD GEORGE.
A. MILLERAND.

25th April, 1920.

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